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THE FASTEST GROWING CHURCH IN THE WORLD

by Brother Keith E. L'Hommedieu, D.D.

It's quite safe to say that of all the organized religious sects on the current scene, one church in particular stands above all in its unique approach to religion. The Universal Life Church is the only organized church in the world with no traditional religious doctrine. In the words of Kirby J. Hensley, founder, "The ULC only believes in what is right, and that all people have the right to determine what beliefs are right for them, as long as they do not interfere with the rights of others."

Reverend Hensley is the leader of the worldwide Universal Life Church with a membership now exceeding 7 million ordained ministers of all religious beliefs. Reverend Hensley started the church in his garage by ordaining ministers by mail. During the 1960's, he traveled all across the country appearing at college rallies held in his honor where he would perform mass ordinations of thousands of people at a time. These new ministers were then exempt from being inducted into the armed forces during the undeclared Vietnam war.

In 1966 Reverend Hensley was fighting the establishment on another front. The IRS tried to claim the ULC wasn't a legal church and proceeded to impound the ten thousand dollars in the church bank account. The feisty Hensley filed suit against the IRS in federal district court for return of the funds and to permanently establish the ULC as a legal tax exempt entity. On March 1, 1974 Judge James F. Battin ruled against the IRS in his decision which stated, "Neither this court or any branch of this government will consider the merits or fallacies of a religion. Nor will the court praise or condemn a religion. Were the court to do so, it would impinge upon the guarantees of the First Amendment." The judge then ordered the IRS to return the impounded money and to grant the Universal Life Church its tax exempt status.

Reverend Hensley has stated that he believes a church is people and not just a fancy building. He also believes in total freedom and equality for all people. The ULC will ordain anyone without regard to religious beliefs, race, nationality, sex or age.

The ULC's success formula is both effective and unquestionably legal. After a person has become an ordained minister, he or she can join with two other people and form their own Universal Life Church. These three people then make up the Board of Directors consisting of a Pastor, a Secretary and a Treasurer. The ULC will then grant the group the use of its legal church charter complete with both federal and state tax exempt numbers. The newly formed church may then open a bank account in the church's name. Any member of the church can legally donate up to 50% of his or her outside income to the church and take a corresponding tax deduction. The church in turn can pay the complete housing cost of its minister including rent or mortgage payment, insurance, taxes, furnishings and repairs. The church can also provide the minister with full use of an automobile as well as pay for travel and educational expenses. None of these expenses are reported as income to the IRS. Recently a whole town in Hardenburg, New York became Universal Life ministers and turned their homes into religious retreats and monasteries thereby relieving themselves of property taxes, at least until the state tries to figure out what to do.

Brother L'Hommedieu is Chairman of the Board of Trustees of the Sacerdotal Order of the Universal Life and serves on the Board of Directors of the International Universal Life Church, Inc.

Churches enjoy certain other tax benefits over the common man on the street. For instance, a church can legally buy and sell real estate or stocks and bonds completely tax free. It can receive tax free income from bank deposits or mortgages. Many churches own large publishing, recording, or other related businesses like hospitals, clinics and schools without paying any income tax.

A church can sponsor any kind of fund raising event such as a concert, play or even bingo. Churches are also exempt from paying inheritance taxes. When the pastor of the church dies, the Board of Directors simply appoints a new pastor and the church goes on.

Reverend Hensley has stated that he personally doesn't believe in the tax exempt status of churches. However, if the government is going to give a free ride to Billy Graham and the Pope, then why not let everybody participate in these blessings. Furthermore, he backs his words up by offering to defend in court the tax exempt status of his congregations.

Since the church was founded in 1962, it has attracted members who are movie and TV personalities, businessmen, government officials, lawyers, and doctors as well as all types of regular working people. During the last 15 years the Universal Life church has blossomed into a full blown grass roots populace movement. Reverend Hensley is ordaining ten thousand new ministers a week and predicts that the church will have over 20,000,000 members by the early 1980's. In addition, requests for interviews and TV appearances continue to pour in.

Anyone who is a member of the ULC will tell you that the ULC is destined to change the world. By unifying mankind into a brotherhood of freedom orientated individuals, each respecting the other's right to live life as they see fit, the Universal Life Church hopes to put an end to all wars. Reverend Hensley admits that this is a pretty monumental task to accomplish, but he also points out that he is already well on the way to reaching his goal.

Rev. Hensley invites all those interested in becoming an ordained minister and receiving complete information and Minister's Credentials, to send a 10^{00} tax deductible donation to the Universal Life Church, 1335 Seabright Ave., Dept. **807**, Santa Cruz, CA 95060

FICA LOOPHOLE

A Key Senator Called It ". . . Perfectly Legitimate . . . Not a Devious Method of Dodging Taxes . . ." And the Congress Overwhelmingly Agreed to Give the Businessman a Break . . . But There's More!

John R. Klug
Publisher

Some called it a "loophole." Others called it business tax relief. But whatever you call it, this new tax savings discovery can save you $194.65 per employee this year alone . . . pocket even more each year to come . . . increase workers' take-home paychecks . . . and even the government is happy!

What is this breakthrough? It's the single most extraordinary, *virtually unknown* . . . but *completely IRS-approved tax device ever* developed. It's called FICA-$AVE©, and it's a tax reduction system which can save you tens of thousands of dollars.

STOP PAYING TAXES ON TAXES

We fought a war over double taxation. But over 96% of all businesses in America are still paying *taxes on taxes . . . without even knowing it!*

The fact is, whether you have one employee or 100,000, you will pay up to $194.65 too much Social Security (FICA) tax per employee in 1980. And by 1987, you will voluntarily overpay up to a whopping $435.56 on every person you employ!

FICA-$AVE™ can lead you out of the maze of double taxation. In fact, Congress as just upheld the right of *every* employer to use the FICA-$AVE™ method.

CONGRESS REAFFIRMS TAX RELIEF

It's natural for you to have some questions at this point. Here are some common ones.

Q. If it's possible to cut taxes on taxes, why haven't I heard about it before now?

A. Little-known provisions of the Social Security Act and IRS Code allow employer FICA taxes to be computed different ways. Although the FICA-$AVE™ concept has been on the books since 1937, it really only works when employees earn less than the maximum FICA base. Until the last couple of years, most employees earned *more than the base; thus, the effect of this* "double taxation" was minimal. But, *in 1980, the* base became $25,900, and by 1987 the Social Security Administration estimates that only 4% of workers will exceed the wage base. This is why it is imperative that employers convert to FICA-$AVE™ now.

Q. What happened in the Congress?

A. Early this year, the U.S. Senate reconsidered the employer FICA option, and endorsed this business tax break by an overwhelming two-thirds margin. Then, on April 24, 1980, a House-Senate conference committee followed suit and further confirmed the right of *all* employers to utilize the FICA-$AVE™ system. (Incidentally, "employers" doesn't mean just business. Among our FICA-$AVE™ clients are nonprofit entities, hospitals, major banks and S&L's, state and local governments, and, of course, all sizes and types of business.)

Q. Is it possible to have my accountant set it up for me?

A. Yes, it's possible. However, our research shows that the vast majority of CPA's are not familiar with the concept, and even fewer would be willing to tackle implementation without many hours of costly research. The FICA-$AVE™ manual contains step-by-step instructions which allow you to easily implement the system in your own business. And it's written in language that a non-accountant can understand.

Q. I can see how I'll profit, but what about my *employees*?

A. A key question. Employee groups and major unions strongly endorse FICA-$AVE™, as it automatically increases take-home pay. In short, no matter what size your workforce, employees will benefit from FICA-$AVE™

Q. Are other savings possible?

A. Most definitely! FICA-$AVE™ will eliminate Social Security taxes on sick pay, as well as cut your state and federal unemployment taxes.

HOW FICA-$AVE™ WAS DEVELOPED

The FICA-$AVE™ method was developed by Management Improvement Corporation of America (MICA). From a staff of three people and no clients in 1977, MICA today is an $8 million company with 140 staff professionals serving private and public sector clients all over the country.

MICA has implemented the FICA-$AVE™ *system in companies with payrolls from 75 to* 20,000 employees. Representative clients include Kentucky Fried Chicken, Chicago's St. Luke's Medical Center, and Los Angeles County, all of whom will save several million dollars. In addition, New York City projects a $27 million savings in fiscal 1981. And Craven County Hospital expects to save over $1,000,000 according to the Harvard Business Review.

Over $600,000 went into the research and development of the FICA-$AVE™ method. However, whether you're a sole proprietor or major corporation, you can now apply *FICA-$AVE™ to your company and receive the* benefit of MICA's investment and experience for a fraction of this cost.

REVOLUTIONARY TAX BREAKTHROUGH

The complete FICA-$AVE™ system is contained in a three-ring, embossed working manual. For easy reference, convenient tabs divide the manual into major sections. Included are all the charts, graphs, checklists, forms, booklets, questionnaires, legal rulings, HEW and IRS opinions, "Big Eight" analyses, actuarial computations, etc. that you need to assure accurate and trouble-free implementation. Step by step you'll learn how to set up your own system and answer questions such as:

- HOW to *maximize* savings and what part to share with employees.
- HOW to actually increase employee's take-home pay while reducing payroll tax deposits.
- HOW to educate employees (including sample handouts and booklets) on the benefits FICA-$AVE™ will provide.
- WHY two decimal points could mean thousands of dollars to your company annually.
- HOW you can pocket money starting with your very next payroll!

STRAIGHT TO THE BOTTOM LINE

If you have 50 employees making an average of $10,000, you can save $5,300 in 1980. By 1983 the cumulative savings will be $33,450, and by 1987 *you will have saved $80,400.* Of course, for 500 employees, the gains are ten times these figures. Many of our clients will save over $100,000 this year alone!

Plus, with FICA-$AVE™, you will learn how to claim an immediate average tax rebate of $148 per employee for back FICA taxes paid on sick pay. Think what this could mean to your cash flow! Official forms and completed samples are included in your FICA-$AVE™ manual.

As extraordinary as these savings are, they are even more dramatic when you consider that this money goes straight to the bottom line. Put differently, a company with 500 employees and a 10% pretax profit margin would have to generate over $5.3 million annually in additional sales to equal the cash yielded by the FICA-$AVE™ system.

FICA-$AVE NOW

I'd like to send you the FICA-$AVE™ manual. Use it for ten days. Share it with your accountant *or lawyer (and save hundreds of dollars in* research time.) Then decide whether to keep the manual. At the end of the ten-day period, if you're not totally convinced FICA-$AVE™ will work for your business, return it for a prompt and courtecus refund. In fact, we won't even cash your check until after your examination period *is over.*

To order, simply send your check for **$249** to the address below. There are no additional postage, handling or sales tax charges. If you *prefer, you may charge your* FICA-$AVE™ manual to VISA, Mastercharge, or American Express. Just call our toll-free number. For rated companies, we will ship against an approved *purchase order.*

But I urge you to hurry. Most FICA *taxes are* not rebatable. You're losing money you will never be able to recover every time you meet a payroll without FICA-$AVE™.

We won that war against double taxation. Start winning yours now with FICA-$AVE™. Order your manual today.

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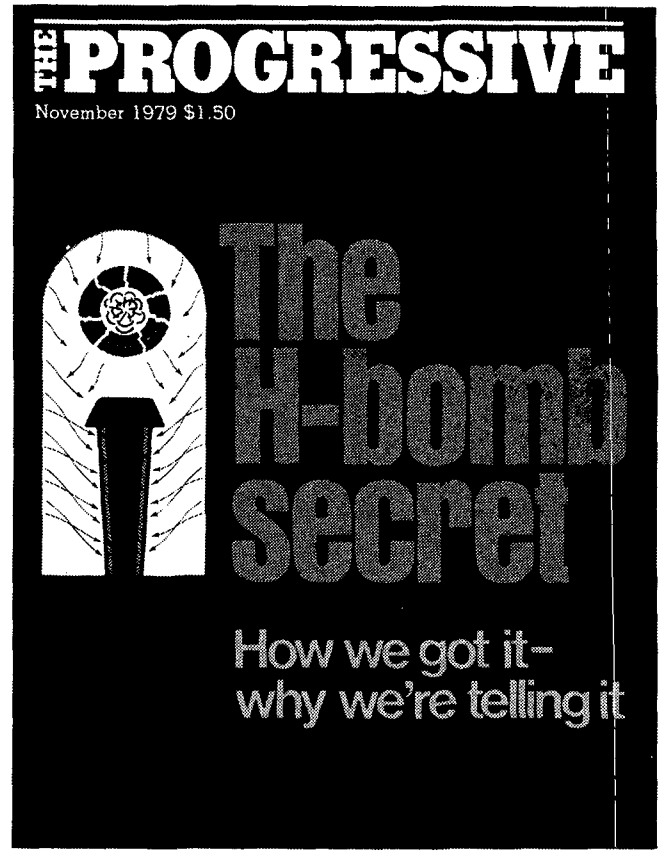
A picture worth $250,000



That's how much it cost *The Progressive* to print this illustration—and an accompanying article about the misuse of secrecy in the Department of Energy's hydrogen bomb program. All of the money went for legal expenses in the magazine's successful battle to overturn Government censorship of the article.

For almost three-quarters of a century, *The Progressive* has been fighting battles—and sometimes paying dearly—to provide its readers with the information and analysis vital to a functioning democracy. In nuclear weapons policy. In environmental quality. In workplace democracy. In the full realm of American politics, arts, and letters.

No wonder this distinguished monthly political magazine is on the reading list at the White House, the Pentagon, the Central Intelligence Agency, the Federal Bureau of Investigation—and in colleges, universities, labor halls, and grass-roots organizations across the country.

It should be on your list, too.

Now you can subscribe at a special introductory rate of $8.95 for nine issues—barely half the newsstand price. And, if you enclose payment with your order, receive a complimentary copy of this historic H-bomb issue, which culminated one of the most notorious censorship cases in American history.

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November 1980/Vol. 12, No. 7

reason

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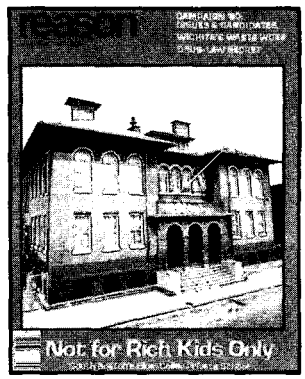

Cover photo by Peter Andrews

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ISSN 0048-6906

"A Marketplace of New Investment

"The Classic": The original hard-money conference — and still the best.

Browne

And that's what *New Orleans '80* is all about: providing you with the very best, most current information and advice on a vast range of financial topics. That's why we're calling the conference *"A Marketplace of New Investment Resources, Ideas, and Strategies."*

Pick

NCMR New Orleans is *the classic —the original* "hard-money" investment conference.

Since we started it all six years ago, dozens of "copycat" events have sprung up. To the extent that these conferences help spread our sound money philosophy, we wish them well. But we think our conferences are a cut or two above would-be competitors.

Rukeyser

Here's a quick preview of just *some* of the top speakers, workshops, and events that will be awaiting you in New Orleans this November.

10 New Top-Name Speakers!

Anderson

Among the new names at *New Orleans '80* will be these remarkable individuals — most of whom rarely appear at investment conferences:

Martin Anderson, Ronald Reagan's senior advisor on domestic affairs. *William E. Donoghue*, the leading authority on money-market funds. *Nelson Bunker Hunt. Eliot Janeway. Dr. Albert J. Lowry.* Pulitzer-Prize winning columnist *George Will.*

Hunt

Plus all the top "hard-money" experts: *Harry Browne. Nicholas Deak. James Dines. Verne Myers. Franz Pick. Howard Ruff. Richard Russell. Jim Sinclair. Jerome Smith.*

And 29 others!

32 In-Depth Workshops!

Deak

Thirty-two small, informal workshops will focus on specific investment areas. There'll be plenty of time for you to get all your questions answered.

Dines

Among the topics the workshops will cover: *coins, rare stamps, diamonds, art and collectibles, gold shares, currencies, interest rates, commodities, options, cycles, international investment opportunities, tax shelters, trusts, financial privacy, survival,* and many more!

Sinclair

Will

14 Special Events!

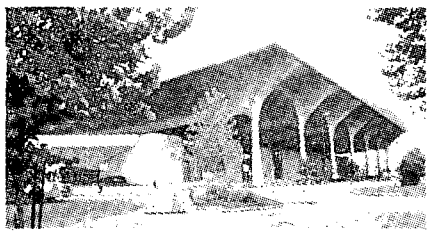
You'll also find a Financial

Resources, Ideas and Strategies."

Planning Center, where you'll be able to get a *free* consultation — personally and privately • A panel of experts analyzing the new presidential administration • Political humorist Mark Russell

• A $10 million sunken treasure display • Seminars especially designed for spouses • Perennially popular events like our Hard-Money Film Festival, Swiss bank consultation center, The Great Debate II, exhibits and hospitality suites. Plus gourmet refreshment breaks and not one but *three* lavish cocktail party/buffets!

A Spectacular New Conference Site.



This year, the NCMR New Orleans Investment Conference has a dramatic new meeting site: the Rivergate Conference Center.

The Rivergate is a modern, spacious facility that will provide a much more comfortable and leisurely atmosphere for everyone. There'll be more breathing room and less crowding. You'll have a table to take notes. And for the first time, an enormous 30-foot color TV screen will clearly display each speaker.

The Rivergate is located in the heart of New Orleans, right at the beginning of the legendary French Quarter. Be sure to allow yourself time to explore the sights, sounds and cuisine of this exciting city.

Register Now and Avoid Disappointment!

If we receive your registration and payment by Wednesday, October 15, the following *advance registration fees* apply. Single, $395. Husband and wife, $595. After October 15, single registrations will be $445 and husband-and-wife couples $645. *That means a $50 savings if you register now!*

The full cost of the conference, plus travel expenses, meals and lodging qualifies as a tax deduction if you use the information obtained at the conference for investment or business purposes.

The conference fee does *not* include hotel accommodations nor transportation to or from New Orleans. A hotel reservation form will be sent to you with your confirmation.

Your registration fee covers all of the following: Admission to all speeches, workshops, panels and hospitality suites... Admission to the "Investment Plaza" exhibit area... Three lavish cocktail receptions with fantastic food, drinks, and entertainment... The conference's official program book and all registration materials... All special events, including personal consultations at the Financial Planning Center, the Film Festival, the Great Debate II, gourmet refreshment breaks, and the rest. Add it up. I think you'll agree that this year, we've outdone even our own past conferences. But please — let us know *right away* if you're coming. Last time, we had to turn away 842 disappointed latecomers!

Clip and mail the registration form below.

New Orleans '80

The Seventh Annual NCMR Investment Conference
Rivergate Conference Center • November 5-9, 1980

YES, I'm coming to *New Orleans '80*, the Seventh Annual NCMR Investment Conference, November 5-9, 1980. Enclosed is my check or money order for $_____ for the following number of advanced registrations:

_____ $395 single *(After Oct. 15, $445)*

_____ $595 husband & wife *(After Oct. 15, $645)*

PLEASE PRINT CLEARLY OR TYPE:

Name _____ *PF*
(As you wish it to appear on your conference badge)

Spouse's Name _____

Address _____

City _____ State _____ Zip _____

For additional registrants, please use a plain sheet of paper. Please make all checks payable to NCMR. A hotel reservation form will be sent to you with your confirmation.

☐ Exhibit Booths. I'm interested in being an exhibitor at the conference. Rush me—without obligation—full details!

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BACK ISSUES: Write for back issue list for current prices. Volumes 1-4 are available on microfilm from University of Southern California Library Micrographics Dept., University Park, Los Angeles, CA 90007. Volumes 5 and up are available from Xerox University Microfilms, 300 North Zeeb Rd., Ann Arbor, MI 48106. Indexed in *America: History and Life, Historical Abstracts,* and *Public Affairs Information Service Bulletin.*

editor's notes

• **WHO ARE YOU?** Several months ago we sent out a questionnaire to a random sample of our subscribers. Like all magazine editors, we like to keep in touch with all of you readers "out there." Knowing what you like and dislike, and having up-to-date demographic data on who you are, we can do a better job of keeping REASON responsive to your interests. The results are now in and have been run through the computer. Here are the highlights of what we learned.

Surprisingly, 93 percent of you are male (or at least the household member answering the survey was a male). Some 79 percent of you have completed college, and 41 percent have gone on to one or more advanced degrees. Occupationally, 75 percent of you are in the professional or business management category, with the largest single group being engineers (14 percent), followed by business owners (11 percent) and educators (8 percent). Some 44 percent of you use a computer at work, and an amazing 22 percent use one at home.

You tend to be well-off, with an average household income of $37,000. Sixty-five percent of you own your own homes, and 34 percent have invested in other real estate. But the most popular investments are stocks and bonds (57 percent) and gold and silver (52 percent). Some 86 percent of you purchase books regularly, averaging 9.8 hardbacks and 17.5 paperbacks a year. You tend to purchase political, how-to, and science fiction books, in that order. Within the past 12 months, 33 percent of you have purchased an electronic gadget by mail.

Politically, 67 percent of you call yourselves libertarian, compared with 21 percent conservative, the next-largest category.

How about your evaluation of REASON? To begin with, 64 percent of you spend two hours or more reading each issue, and the average is 1.8 hours—unusually high for magazines. Generally, you're pretty pleased with the magazine, especially liking the Editorials, Trends, Brickbats, and the articles. (Every department, however, rated more than 40 percent in the "usually good" category.) Most popular among a selection of recent articles were "American Gestapo" (Apr. 1980), "Who's Bankrolling the UFW?" (Nov. 1979), "SALT-Free Defense," and "Radiation Fantasies" (Mar. 1980).

We were especially interested in what people want *more* or *less* of. Generally, you want more examples of free-enterprise solutions to problems, more investigative reporting, and more theoretical discussions of human rights, economics, etc. Wanted less in REASON are fiction and reviews of art, music, and theater. Our book and movie reviews were among the less-popular and less-read features, too. Nonetheless, there was strong support for continuing an annual book issue (as well as the annual financial issue).

We don't expect to make radical changes as a result of these findings. But they do give us important clues about where to put our emphasis in the months ahead. Our thanks to the several hundred people who took the time to respond.

• **BOOSTING PRIVATE ENTERPRISE.** Contributing editor Mark Frazier has made significant headway in advancing the concept of free-trade zones. Shortly after the Stanford Business School completed a study of his proposal for harnessing free-trade zones to international technology development, he was off to Egypt on a Coopers & Lybrand study of ways to improve the performance of that country's free-trade zones. Meanwhile, his Sabre Foundation research project on enterprise zones for cities received a major boost when New York law firm Cravath, Swaine & Moore approved *pro bono* legal research into tax exemptions for inner cities, as part of the project. Frazier's article on privatizing city services appeared in the Spring 1980 *Policy Review.* He also coedited *More for Less,* a 400-page manual on cost cutting for cities, published this summer by the Taxpayers' Foundation.

• **VIKING AID.** In July we reported on the Viking Fund, a private effort to provide funds to ensure processing of data from the Viking Mars spacecraft. Although the remaining Viking orbiter ceased transmitting this summer, one of the two landers is expected to continue sending data through 1994. NASA's first reaction was to deny that it needs the money and to claim that it could only accept it for the agency's general fund, rather than earmarking it for Viking. But cooler heads have prevailed. In August, NASA announced that the Viking Fund could purchase downlink transmission time, at $9,000 per session, thereby freeing other NASA funds for Viking data analysis. The fund has raised over $50,000 thus far.

—R. P.

BETTER SAFE™ THAN SORRY!

At last — a way to keep your hidden assets safely hidden.

Considering the sad state of world politics and the American economy, you have every reason to keep your hard-earned valuables right at home — where you can instantly lay your hands on them.

Unfortunately, what you can lay your hands on, a robber can lay his hands on. Professional thieves (even determined amateurs) are relentless in their pursuit of other people's *private property*. The cleverest hiding places, the most formidable safes, have proven tragically vulnerable.

Attics, bureau drawers, laundry hampers, the backs of paintings hollowed out books, fake wall plugs — all are easy pickings to the practiced thief.

Worst of all, perhaps, is the so-called "safe". An archaic device of hinges, steel, and tumblers that shouts like a billboard, "Here it is! Here's the money, the precious metals, the jewels, the stocks and bonds! Open me if you can!"

And they can! Just read your daily newspaper. Home safes, office safes, safes in stores and even banks open wide before the relentless tide of plunderers who find it so much simpler to steal what's yours rather than earn their own.

The only safe that's really safe is the one nobody can find.

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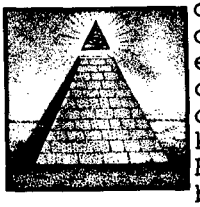

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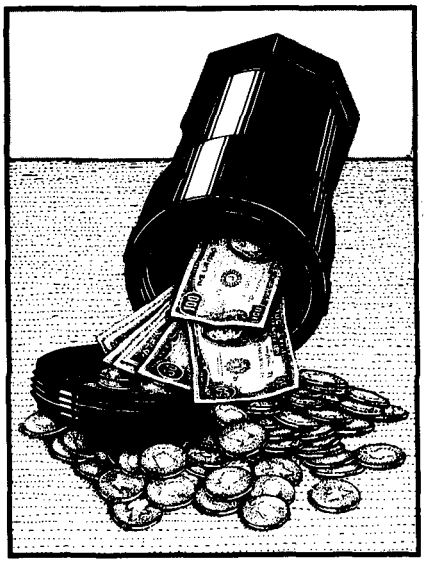

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What Kind of "Reindustrialization"?

editorial

Advocates of the corporate state—the notion that a technocratic elite must make the basic decisions about our economy—appeared to be biding their time after the failure of Richard Nixon's wage and price controls. But today, when even assembly-line workers can see that something is terribly wrong, the corporate statists have come forward once more.

Their new game plan is called "reindustrialization" or "industrial policy." In various versions, its basic idea is that the United States must become more like Japan, where—claim its advocates—the economy prospers because government and industry work hand-in-hand, deciding which sectors will expand, which will contract, which will export, etc.

One of the architects of reindustrialization is investment banker Felix Rohatyn, an ardent supporter of the federal bailouts of Lockheed, New York City, and Chrysler. Since 1974 he has been urging the resurrection of the New Deal's Reconstruction Finance Corporation as the vehicle for reindustrialization. Rohatyn's born-again RFC would rescue such faltering industries as autos and steel, using its leverage to restructure them in accordance with its own grand design for improved productivity. It would also support the development of government-selected technologies such as synthetic fuels.

For several years the concept has been picking up supporters. The Trilateral Commission favors more government R&D support, coupled with protection for declining industries. The National Association of Manufacturers and the AFL-CIO have weighed in with their own plans along these lines. Sociologist Amitai Etzioni, credited with actually coining the term, cautions that groups like these focus too much on the rescue side (which he terms "lemon socialism") and not enough on tax incentives for investment. But Etzioni himself has endorsed a government/industry commission armed with a $5 billion loan fund to help "selected industries."

The media have hastened to climb aboard the bandwagon. *Business Week* did an entire issue on reindustrialization (June), the *New York Times* ran a five-part series (August), and *The Atlantic* ran a cover story (September). Politicians, too, can scarcely contain themselves, with Anderson, Carter, and Reagan all using the word (though differing somewhat in the meaning they attach to it).

Anderson explicitly favors government loans and loan guarantees for ailing industries, together with economic planning. Carter's "revitalization" plan puts government in the driver's seat and expands by $3 billion the Economic Development Administration—the prototype of an RFC-style agency. And even Reagan, whose emphasis has been mostly on increased incentives via cuts in taxes and regulations, has begun talking approvingly of the Chrysler bailout and hinting at auto import restrictions.

The common thread in all of these schemes is the idea that—somehow—government knows best. For reasons which are never stated it is assumed that planners ensconced in Washington can identify those industries which "should" be expanded and those which "should" be allowed to die. The alternative, of course, is for the *marketplace* to decide—in other words, for individual consumers to determine, by their purchases, which firms are doing a good job and which are not. There is no evidence whatever that government can do this better than consumers, and there are sound *moral* reasons (like individual freedom) for keeping it from doing so.

The tragedy of the whole debate is that the battles over who gets to wield what kind of power tend to obscure the underlying reality that the American economy is sick unto death. Americans now save only 3.4 percent of their disposable income—compared with 14 percent in Germany and 20 percent in Japan. Output per hour worked in this country used to *increase* each year—by 3.2 percent annually in the '50s and '60s, by 0.7 percent a year in the '70s—but last year it actually *decreased*. Industrial R&D as a fraction of GNP has fallen by nearly 25 percent since 1964. The number of patents granted to US investors has been declining steadily since 1970.

If the advocates of reindustrialization could put aside their schemes for power long enough to ask why, they might realize the underlying cause of much of this malaise: inflation. Because companies' depreciation charges are based (by law) only on what they paid long ago to buy their equipment, the profits they report (and are taxed on) are fictitiously high, and they end up not having enough money left over to replace worn-out equipment. Some industries, like steel, are literally consuming their capital each year. Moreover, persistent inflation leads managers to think short-term, seriously reducing the viability of making long-term investments in new productive capacity. On a personal basis, inflation leads people to put their money into real estate or precious metals *rather* than investing in the stocks and bonds that finance industrial growth.

We *can* learn some lessons from Germany and Japan, but they are not the lessons the corporate statists hope to teach. Both governments exempt from taxation nearly all personal savings. Neither taxes capital gains at all. Their tax structures are far less "progressive" (i.e., incentive-killing) than ours, their inflation rates far lower. And their overall tax burden is considerably less. As for government direction, it is interesting to note that neither steel nor autos have been encouraged by the Japanese government.

This country desperately needs to restore vitality to its industries. But turning the country into a corporate state is hardly the way to do it. What is needed is a threefold policy that attacks the *causes* of our industrial stagnation. Such a policy would:

- *end inflation* by restoring sound money and prohibiting federal deficits, by constitutional amendment;
- *restore individual incentive* by abolishing all taxes on saving and investment income and eliminating the steeply progressive nature of the income tax;
- *reestablish free competition* as the best way to weed out unproductive industries, via the acid test of consumer choice. That means *no* tariffs or import quotas, *no* restraints on corporate closings or relocations, and above all a guarantee of *no* government bailouts of any kind.

Under such conditions the marketplace will redirect resources, individuals and managers will learn once again to think long-range, and America's genius at creating wealth will once again begin to flourish.

And one more thing: we'll keep our liberty, too.

Robert Poole, Jr.

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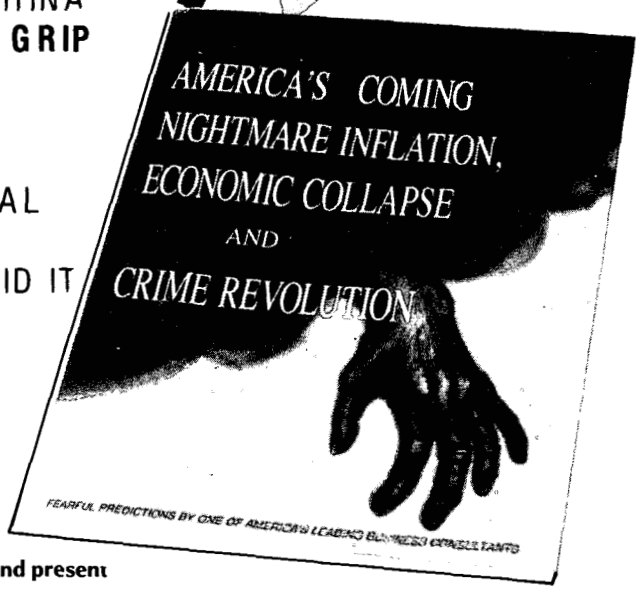
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letters

Lonely Independents

Congratulations on Patrick Cox's thoroughly researched article on the New Hebrides (Sept.). As an evaluation, not of the article, but of its subject, I would like to add two points, corresponding to the two principal villains in the affair.

1. *Governments.* The US government is on the side of the socialists, promising foreign aid only if Lini's government is in power. "America for Americans" was a worthy American motto in 1776, but "New Hebrides for the New Hebrideans" is apparently anathema to the State Department in 1980. By that criterion the State Department would be on the side of the British in the American Revolution.

Every other government also seems to prefer a statist regime in the New Hebrides. Britain has all along insisted on putting down the rebellion by force and treating the members of the independence movement as traitors to be captured and tried. Britain has been indignant with France for not going ahead with this job fast enough, and France, though aware of a possible Soviet threat in the area, has apparently capitulated, and pulled the same act that Britain did in Zimbabwe: get some government in there, no matter what, and run—*après moi le déluge.*

Worst of all has been the record of Australia, whose government trained the Papua New Guinea troops that were sent to "protect the integrity of the New Hebrides" on behalf of Lini's government, which could never have suppressed the independence movement unaided. When push comes to shove, not one of them seems to want a free country around. Whether in the long run they can live more comfortably with a communist puppet state remains to be seen.

2. *The press.* People could put pressure on their governments to correct these insane policies if they knew what was going on. But the world press has consistently misreported the situation. For two weeks in July I was inundated with phone calls from all over (United States, Canada, Britain, Holland, Australia) about the New Hebrides developments. Like a cracked record I kept repeating the same facts, yet almost never was what I said reported correctly, much less completely. A four-hour interview with the *London Times* resulted in a long and excellent article, which was killed by the *Times* when it arrived in London.

"Why do you want to take land from the natives?" was a recurring question in interviews, and repeatedly I explained that all land would be owned by the natives but some would be leased to outsiders for commercial and other development at the discretion of the native tribes; yet this important fact was almost never reported. On a taped interview with the BBC the interviewer said, "Are you willing to take responsibility for the loss of life that will occur as the result of your actions?"—not only exaggerating by a thousandfold the possible effects of any action of mine, but exhibiting total ignorance of who, after all, was the aggressor in the affair. It is simply assumed that independence movements (always called "rebellions" by the press), even against governments the people don't want, have to be put down.

If freedom is extinguished in the world and totalitarian governments replace it, a large part of the responsibility must be borne by the world press and the systems of State education that produced it.

John Hospers
Los Angeles, CA

How to Tell the World

Patrick Cox's well-done article on Vemarana (Sept.) contains some lessons that those involved in creating new havens of freedom seem yet to learn. One is that freedom is only as secure as the force and arms used to defend it, once established, against proponents of the status quo who would subvert and destroy it.

But a second lesson is that superior *communications* is vital, not only with the local populace but with the outside world. Of what use is the printed tract to an illiterate public? And of what use is radio or sound systems where there is no electricity?

One needs, first of all, an *electric energy source* capable of reliable, continuous operation and a steady supply of fuel to that source. One needs an understanding of shortwave radio propagation to recognize that there are certain hours of the day, certain frequencies, minimum power levels, and antenna sizes to reach a given location on earth at a given day of the year. What is optimum for daytime reception in the United States is not, generally, optimum for the next island 200 miles away.

And there is not only the informational broadcast but also *tactical* communications, best operated as a secure radio system rather than a vulnerable telephone system. Coordinators and leaders of a movement are not very powerful when they can't intercommunicate!...

Above all, it takes weapons to protect it and the will and ability to use them. So the second lesson merges into the first. Libertarian ideas mean little if they cannot be communicated.

R.W. Johnson, P.E.
Ben Lomond, CA

ACLU vs. BBD

In your August issue, Donald A. Feder writes, "The ACLU, however, *supports* the Corporate Democracy Act." As a result of the article, I wrote to the executive director of the ACLU and learned that the ACLU does *not* support HR 7010. I can forgive Mr. Feder his try at creative journalism but must condemn the sloppy editing which allowed his facts to go unchecked. How much of the rest of the article, nay, of the whole issue, is likewise flawed?

Paul A. Smith
Tucson, AZ

The editors reply: Not much, we trust.

Mr. Feder replies: Mr. Smith is quite correct; the national ACLU did not take a position in support of Big Business Day. However, several individuals active in the ACLU did, including one of Big Business Day's advisors, Stanley Scheinbaum—who is also on the National Advisory Council of the ACLU, a director of the Southern California ACLU, and chairman of the ACLU Foundation of Southern California. I should have been more specific by stating that ACLU support came from certain activists, not the organization itself.

Free-Market Nuclear?

Adam V. Reed's otherwise excellent article, "Who Caused Three Mile Island?" (Aug.), assumes safe nuclear energy could be developed without the Price-Anderson Act and Nuclear Regulatory Commission regulations. It does not, however, question whether economical nuclear power could be developed in a free market where subsidized and protected public utility

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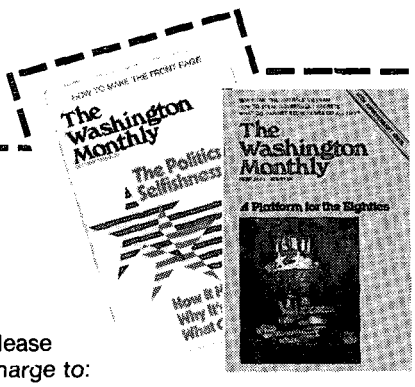

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monopolies could not force ratepayers to pay for what would remain a very expensive capital investment. I believe that in a free market, conservation, cogeneration, and new energy sources would make nuclear power a very unattractive investment.

Carol Moore
New York, NY

The Dam Facts

In his article, "Who Caused Three Mile Island?" (Aug.), in a sidebar on page 19, Adam Reed states that "The largest dam break, that of the Van Norman Dam during the San Fernando Valley earthquake of 1971, resulted in no casualties because the reservoir of the dam happened to be empty." Where did he get that? That's not objective reporting. I was there, and I can assure you that the dam was full up to the hilt, the waves were ominous, and the dam itself was cracked, but it never broke. Had it happened, however, considerable catastrophe would've resulted. In fact, anybody who builds a house below a dam in the Los Angeles area is a greater fool than to build a house on top of Mt. St. Helens.

M. Benesh
La Canada, CA

The editors reply: Dr. Reed's source for the statement about the Van Norman Dam was an article by Okrent in *Science* (Vol. 280, 1980, No. 4442, pp. 372-75). This reference, along with several others, was deleted by the editors in the interest of readability. Perhaps the reader was present for a different earthquake?

Nuclear Insurance Costs

I am well aware of REASON's editorial position on the Price-Anderson Act concerning insurance for nuclear power plants—and I agree wholeheartedly with REASON's eminently reasonable proposal to get rid of Price-Anderson and privatize the insurance of nuclear power plants. I have also followed with great interest the lively exchange of letters that have appeared on this subject in REASON. I now wish to offer some further food for thought.

Back in 1975 I had a long interview with Hans A. Bethe, one of the world's most respected scientists, former director of the Theoretical Physics Division at Los Alamos Scientific Laboratory from 1943 to 1946—and Nobel laureate (Physics, 1967) for his innumerable contributions to the fields of solid-state physics, cosmic radiation, electron-pair creations, nuclear reactions, etc., etc. (No, Dr. Bethe is not a libertarian. He's been a Democrat ever since he came to the United States from Nazi Germany in 1935. So, bear all the foregoing in mind to keep things in context.)

Here is one of the questions I asked him, and his reply (published in the May 1975 issue of *Mining Engineering*):

Q. "Dr. Bethe, it has been said that nuclear power wouldn't pay for itself if utilities were forced to pay, say, the cost of accident insurance. How valid is the argument?"

A. "That is one of Mr. Ralph Nader's favorite arguments. Actually, the total annual costs of accident insurance, of a guard force to protect a nuclear plant, and of waste disposal, would be about 1% of the revenues of a $100-million/yr utility company. Let's look at the probable costs of accident insurance, for example.

"Assuming there are 100 nuclear power plants in operation, if a bad nuclear accident occurs at any of these plants—an event whose probability, as calculated by sixty nuclear scientists headed by Prof. Norman Rasmussen of MIT, is one in 1000 years—the estimated property damage might be $4 billion. Being a pessimist, I'll raise that number to $10 billion. Obviously it would be impossible to get private insurance to cover a $10-billion property damage accident. Government would have to be the insurer. Well, if you average that $10 billion over 100,000 years for the 100 utilities involved, you get $10 million per year—which, though substantial, is not outrageous: the utilities could certainly be asked to pay to the government a $10-million annual insurance premium. It would amount to about 0.1% of their estimated total annual revenues."

Eugene Guccione
Editor
Coal Mining & Processing
Chicago, IL

Natural Allies?

REASON's editorial judgment on the "Moral Majority" (Sept.) may be hasty and ill-advised. These people have been victimized by the State. They have been taxed for projects they consider morally abhorrent. Their children have been corralled into State-operated schools where their most precious values not only are not taught but are rejected and ridiculed. Their enemies have used the power of State to intervene in their daily lives. The wonder is that they didn't start to fight back before this. They have finally concluded that political power is the only way to protect themselves.

But the "Moral Majority" people don't really want power. They simply want to be left alone. Now they are trying to get the "right people" into office, in order to turn the power of the State away from them. But it should be possible to convince them the true solution is to eliminate the power of the State to impose the values of one group on the rest of society.

Joseph P. Martino
Dayton, OH

Legislating Morality

There is simply no need to state legitimate criticisms of nonlibertarians in demagogic terms as you did in your editorial "Stamping Out Sin" (Sept.). I think you do a disservice to REASON and to libertarianism by resorting to anti-Christian bigotry in trying to draw a connection between Islamic fundamentalists in Iran who use the State to murder their opposition and the "Moral Majority." Certainly, Jerry Falwell does not advocate the death penalty for drug usage or homosexuality as you implied in the graphic introduction to your editorial.

Rev. Falwell and his followers are receptive to libertarian ideas in the fields of economics and education. Instead of crudely condemning their "crusade," you could have drawn on their libertarian heritage and made some constructive criticisms. While they appreciate the free market and are committed to providing a Christian alternative to public education, they depart from the very principles which they find so attractive in these areas by

seeking to use the State to determine other people's lifestyles.

Further, you could have appealed to the Christian doctrine of free will and personal responsibility to make your point. As Immanuel Kant wrote, "ought" only has meaning if people are free to choose. If people are acting moral out of necessity, rather than out of heartfelt conviction, then they are less than morally virtuous.

Forcing people to behave in a prescribed way not only violates an individual's autonomy but is pointless from a Christian viewpoint.... Rev. Falwell's position is closer to the non-Christian belief that morality can be legislated and that man is perfectable.

Christian morality is in concert with, and in fact demands as a necessary condition, individual freedom. Christians who depart from their own teachings should not be slandered but should be thoughtfully reminded of Christian theology and philosophy.

Christopher Graves
Dunwoody, GA

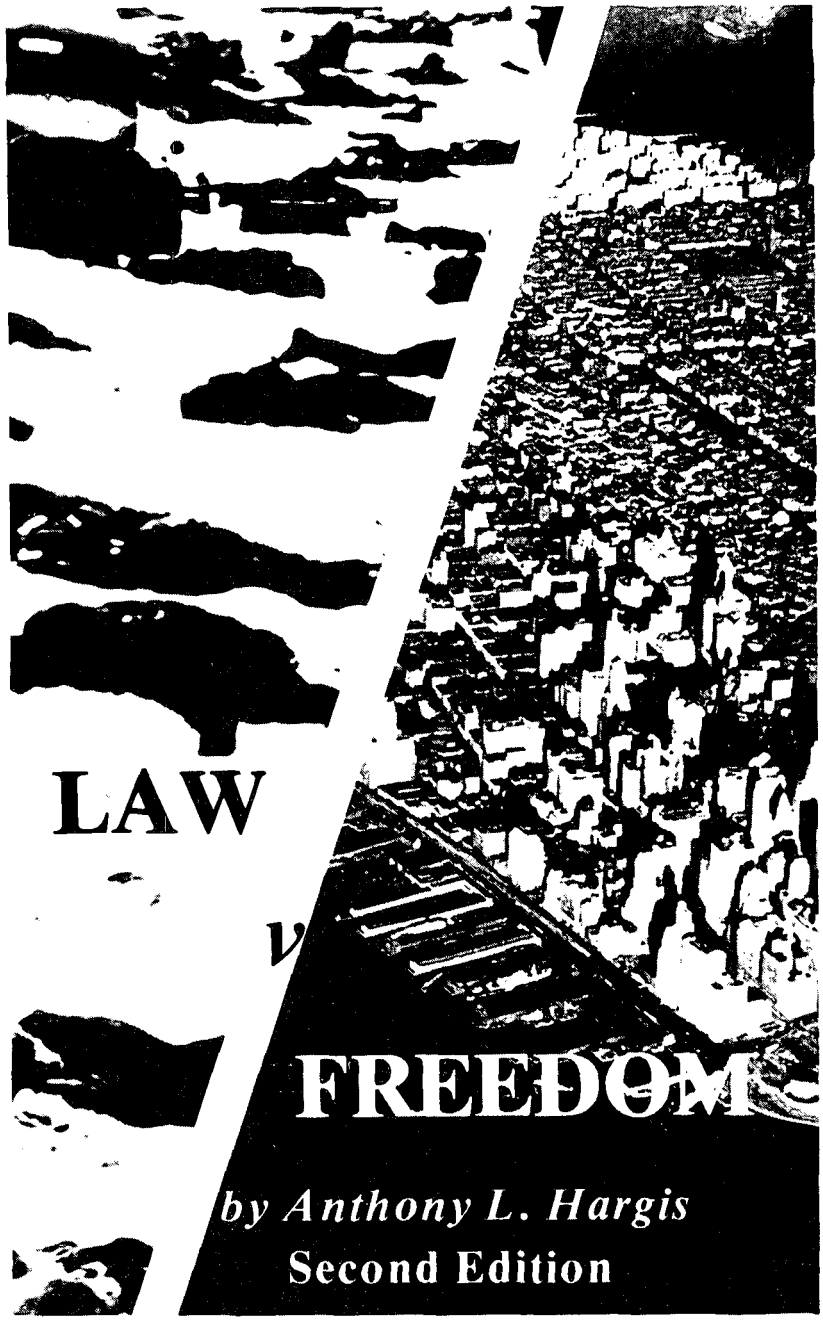
Improbable Book

Having read L. Neil Smith's *The Probability Broach,* I wish to dissent from the laudatory reviews of it that have appeared in recent libertarian publications. In general, this book has earned its praise on the basis of its explicit depiction—and support—of libertarianism. This ideological standard of aesthetic value has overlooked the many artistic deficiencies of Smith's story, deficiencies that undermine the overall credibility of the society he depicts.

For one thing, much of the characterization is shallow and derivative. The 136-year-old Lucy is a typical Heinleinian curmudgeon-adventurer, and the rest of the cast are presented to fill out roles, rather than to endure and be changed by their experiences. Win's romance seems to happen offstage, with no cause other than the author's whim. Introduction of various libertarian historical figures in the plot only approaches the level of *roman à clef,* without actually involving them in the events of the story.

More seriously, the entire fabric of Smith's alternate history is premised on a single historical turning point, whose ramifications extend over 200 years. This concept totally neglects the fact that historical events are the product of underlying cultural, economic, and military contexts and pressures. Smith would have the reader succumb to a wish-fulfillment fantasy by postulating a world in which

(Continued on p. 64.)



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☐ **In the sort of social experiment** that loses its funny side with the feds *real* quick, a Minneapolis bank decided to see just how useful a particular government program was. The Washington brainstorm in question was a campaign requiring banks to mail to their customers a 4,500-word booklet outlining the fascinating implications of the ever-popular "Regulation E" (?). This requirement was met with big smiles by executives at the Northwestern National Bank, who immediately saw the opportunity to delight their 115,000 customers with this Big News (concerning the legalities of electronic funds transfer), at a bargain price of only $69,000. But just to make sure that everyone was reading along line for line, they took a random group of 100 pamphlets and inserted the innocuous offer: "Any customer who receives a disclosure that includes this paragraph can get $10 simply by writing 'Regulation E' and the customer's name and address on a card and sending it" to the bank. Well, they were gambling with $1,000 of the bank's money, of course—and they didn't lose a cent. Not one of the hundred read the damn thing!

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AND THIS ONE'S FOR YOU, FOUR-BARRELING BUMBO!!
THERAPY SESSION

☐ **New York City's** progressive people's state suffered yet another cruel setback when it was disclosed that Bess Meyerson's Consumer Credit Counseling Service has been ripping off the consumers. Not only did the group, from which Ms. Meyerson has escaped (to run in the Democrats' Senate Preliminaries), screw up by not delivering good service to their clients, they generally "overcharged" them as well. The nonprofit agency, set up to counsel consumers drowning in debt, established an unbelievably poor record on this score, with the overwhelming percentage of their clients never surfacing to financial safety. The agency was apparently making some money on the deal, however.

☐ **Another new breakthrough** for the state of New York is the new, tough anti-gun law just on the books. And they've already snared their first customer: a 31-year-old Ohio trucker, William Jordan, Jr., who went to the aid of a woman being assaulted by a man near the entrance to the Lincoln Tunnel. The criminal gun-toter admitted, "I was in my truck and I heard a woman screaming, so I got out with my gun and I screamed at the guy to release her." He should have known better—this is *1980*. "I committed the sin of trying to assist someone in distress and now I am involved in something I knew nothing about....It looked like a man was strangling a woman and was trying to kill her." In fact, it was a plainclothes policeman arresting a 21-year-old *femme fatale* on a morals rap. The alleged prostitute, incidentally, escaped. Mr. Jordan faces charges of "menacing, obstructing governmental administration [really], and gun possession."

☐ **Not nearly so concerned** about the long arm of the law are those lively little rascals we call "congressmen." A few are up on charges right now, but they have little fear. They've got *attorneys*. And do they have good ones! At the start of the Abscam criminal proceedings for four "politically powerful defendants," lawyers argued that, Sure our clients took the $50,000 cash, but they didn't *do* anything for it. "The only thing done by these defendants was to take the fat Arabs' money," explained mouthpiece Richard Ben-Veniste. "They never did anything (to earn a bribe)." Now that has got to be some high-price legal help. No way will they lose. Arguing that congressmen take money and make promises but never make good on them....And they've got 220 million character witnesses in this country alone!

—Thomas Winslow Hazlett

A Unique Service

New Publication Promises Investors an Edge in the 1980's.

by William Bonner

Mark Hulbert is one of a new breed. A "whiz kid" with a degree from Oxford University, Hulbert is convinced that too many investors "fly by the seats of their pants," and lose millions as a result.

"They tend to follow the advice of one investment advisor without any way of judging the quality of the advice," he says.

Hulbert, author of numerous articles on international finance, has spent years researching banking practices and economic trends. He decided to put his research abilities to work scrutinizing the investment advisory services.

He started a gutsy new service, with a new publication, called the *Hulbert Financial Digest,* at its head.

The maverick publication digests the advice of other financial experts—including well known experts such as Julian Snyder, James Sinclair, T.J. Holt, C.V. Myers, Howard Ruff, Harry Schultz, and many others. It presents a summary of the advice offered along with an analysis and commentary from the editor.

In effect, the reader gets *thousands of dollars worth* of financial advice for the relatively low price of $67.50 which Hulbert is charging his **CHARTER** subscribers.

That alone would seem to make the *Hulbert Financial Digest* a sure winner among hard-pressed investors of the 1980's. It virtually guarantees investors access to the best investment advice around at a very modest price.

But Hulbert doesn't stop there. The *Hulbert Financial Digest* also keeps track of the advice each expert is giving and *rates them on the basis of their performance.*

Investors can check their own investment strategies against those of the experts on a regular basis. They can see which strategies are paying off and which are not. (Hulbert even goes so far as to give dollar amounts for the success or failure of the various investment strategies he analyzes.)

"Another problem with much so-called investment advice," says Hulbert, "is that it is nothing more than vague generalities about the state of the economy. Several of the investment letters I analyzed gave absolutely no concrete recommendations."

Hulbert has a solution to this problem too. His new newsletter will rate financial advisors on the clarity of their advice as well as the information they contain.

"This is a way to make sure the investor gets his money's worth," says Hulbert. "We'll tell them when the advice can be translated into profit...and when it can't.

"Also, the *Hulbert Financial Digest* will distill huge amounts of verbiage into a simple, straightforward summary. This will enable the busy executive to get the most useful information in the least amount of time.

"The investors who subscribe to my newsletter," Hulbert pointed out, "have a clear advantage over those who do not."

The first issue of the new publication is scheduled for September, 1980. Already, demand for the new service has exceeded Hulbert's own expectations.

The demand is partly explained by the **iron-clad guarantee** Hulbert is offering.

"If anyone is not completely convinced that this publication is a great benefit in choosing the most profitable investment strategy for the 1980's, after they've received one issue, I'll refund every penny of their subscription money. No questions asked."

This guarantee allows curious investors a chance to try Hulbert's publication *without risking a penny.*

"It would be foolish for an investor not to give this offer a try," Hulbert maintains. "The average investor has thousands and thousands of dollars at stake."

"If it turns out that my service can't help the individual investor, he just cancels and gets all his money back. It doesn't cost him a dime."

"On the other hand, if this service is as valuable as I think it is, the investor stands to make thousands of dollars over the next few months with an investment of just $67.50."

Investors who want an edge in the 1980's are invited to fill in the coupon below and mail it to *Hulbert Financial Digest,* 10 E St., S.E. Washington, D.C. 20003.

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trends

A Monetary Golden Rule

How to restore the US dollar to its former greatness as the world's basic currency—by linking it once again to gold—was the subject of a conference at the University Club in New York City in midsummer. Sponsored by the Committee for Monetary Research and Education, the conference attracted 140 people to hear economist Arthur B. Laffer present his gold-standard plan (see Trends, Aug.), followed by commentary from several distinguished speakers.

Lewis E. Lehrman argued that reinstatement of a gold standard means restoring the rule of law to monetary affairs. Economist Henry Hazlitt praised Laffer's proposal but expressed the reservations that a three-month transition period would be too short—he favors several years of balanced budgets as a precondition—and that there should be no fixed relationship between the gold price and paper-dollar prices. Prof. Donald Kemmerer cited several historical examples of a return to a gold standard—for example, Japan at the end of the 19th century—and argued that once there is popular support for such a move it can be done successfully despite resistance by the powers-that-be. Jude Wanniski concurred, urging that "if we really believe that this is something that must be done—not something we should put off for 10 years—we should attempt to implement it not next year, not 10 years from now, but try to get it into place next week."

OSHA Curbed

A government foot-in-the-door of potentially huge significance was shoved out by the US Supreme Court this summer. The case involved the benzene rule promulgated by the agency everyone loves to hate, the Occupational Safety and Health Administration.

What OSHA wanted to do was to reduce the standard for workplace exposure to benzene from 10 parts per million (ppm) to 1 ppm. OSHA cited studies of workers in Ohio and Italy who developed leukemia after exposure to benzene at levels well above 10 ppm and argued that since "no safe level of a carcinogen exists," the standard should be set at the lowest level that is technologically feasible. Complying with the change would have cost the rubber and oil industries about $500 million in the first year, by OSHA's own figures.

That didn't square with the due process concepts of the Court's majority. As Justice Stevens pointed out, OSHA offered no real *evidence* that the costly standard would benefit anyone; indeed, he said, "Given OSHA's . . . policy, it was in fact irrelevant whether there was any evidence." Elaborating on the agency's insistence on risk-free factories, Stevens wrote, "A workplace cannot be considered 'unsafe' unless it threatens workers" not merely with a *risk* of harm, but with a *significant* risk, that is, one supported by evidence.

The Court's decision could well imperil OSHA's entire cancer policy, since it is based on the same premises as the benzene rule. The only uncertainty in this assessment is that only four of the five majority justices signed Stevens's opinion; Justice Rehnquist filed a concurring opinion arguing that the law creating OSHA is unconstitutionally vague. We may learn more when the Court rules on the coke oven emission standard (carrying a $250 million price tag for industry) during this fall's term.

Private Firms Pitch in for 1984 Olympics

Los Angeles Mayor Tom Bradley's grandiose plans for a federally funded 1984 Olympics were deflated recently when an irate citizenry successfully mobilized with a petition to forbid tax-financed spending on the games. Then, early in August, McDonald's Corporation (of "Big Mac" fame) pledged to build a $4 million, 11,000-seat open-air swimming and diving stadium on the University of Southern California campus. Bradley had requested $19.4 million in federal funds to build a similar stadium, proving once again that bureaucracy is unnecessarily expensive.

The $4 million is only part of the total $11 million McDonald's has agreed to pay to become one of up to 50 commercial sponsors of the games—and does not include the free hamburgers it has indicated it will donate to athletes and the press. At press time, the following eight companies had joined McDonald's as sponsors: Coca-Cola ($15 million); Anheuser-Busch ($10 million); Canon U.S.A., Southland Corporation (7-11 Stores), United Airlines, and United California Bank ($6 million each); and Arrowhead Drinking Water, Inc. ($1 million).

The McDonald's Olympic Swim Center is said to be the first Olympic athletic facility ever to be wholly funded by private enterprise. After the games, it will be given by McDonald's to USC, which plans to develop a $30 million recreation center. USC is committed to pick up any cost overruns in the building of the stadium and to open up the stadium to summer use by youth in the surrounding community.

The Death of MAD

President Carter's approval of Presidential Directive 59 in August marks the beginning of the end of two decades of Mutual Assured Destruction (MAD) as the basis of US strategic doctrine. How completely and rapidly the change will be implemented remains to be seen, but the shift is highly significant.

The MAD doctrine rests on the idea that the only form of "defense" against a nuclear attack is the threat of destroying the enemy's country by counterattack. In effect, each side holds the other side's population hostage, and missiles are targeted primarily against cities.

Two developments of the past decade have undermined MAD's viability. On the one hand, the growing quantitative superiority of the USSR's weaponry and its strategists' views about fighting and winning nuclear exchanges have led to scenarios in which the Soviets wage limited war against military targets (US missile bases, for example) in hopes that a US president would acquiesce rather than launch massive retaliation (thereby consigning our own cities to certain destruction). Such scenarios underscore the need to develop other forms of response than all-or-nothing retaliation.

The second development has been advances in the means of defending against ballistic missiles, among them high-powered lasers and particle beams (see "Ending Missile MADness," Jan. 1979). Such technology makes it possible to destroy nuclear warheads in the boost or ballistic phases of flight, rather than waiting until they have nearly arrived at the target (as the now-abandoned Safeguard ABM system had to do).

Carter's PD-59 calls for retargeting US ballistic missiles from Soviet cities and factories to a variety of military and quasi-military targets. It thus breaks with MAD doctrine, although it still represents an attempt to deter nuclear war by threatening retaliation. Defense Depart-

ment research efforts on new anti-warhead technologies have recently been redirected toward a space-based system—a positive step—but funding is not at the level that many experts believe necessary to produce functioning weapons systems before the end of the decade.

Accounting for Standards

Late last year the California State Board of Accountancy ruled that California accountants should follow standards set by the American Institute of Certified Public Accountants on disclosures connected with unaudited financial statements. Noncertified public accountants fought the decision, protesting that they cannot join the AICPA and would therefore be subject to rules set by a body in which they had no voice. The plaintiffs further argued that the ruling would help bigger firms to the detriment of the noncertified, smaller groups.

A Superior Court judge (now on the Third District Court of Appeals), Frances Newell Carr, recently stopped the State Board from enforcing those rules. Judge Carr said that it amounted to an improper delegation of authority. The noncertified accountants had also protested a second State Board decision adopting an AICPA standard requiring more paperwork on financial statements, but the judge ruled against withdrawing this one. The unhappy accountants pointed out that smaller clients cannot afford—and don't need—the extra paperwork.

In reporting on these decisions, the *Western Law Journal* noted that the larger issue involved is "whether government ought to set uniform standards over a profession where a range of practices has been traditionally regarded as acceptable."

Airline Deregulation: Is It Working?

According to some industry analysts, 1980 may turn out to be the worst year in history for commercial airlines as a whole. The typical TV news report notes this prediction, notes also that airlines are now largely deregulated, and concludes that deregulation is *causing* the red ink.

Like so many superficial "analyses," however, this one is dead wrong. To begin with, while the industry as a whole is showing a loss, only *some* airlines are losing money. Others—mostly the regional carriers—are prospering. The regionals as a group carried nearly 18 percent more passengers in the first quarter of this year than they did last year—despite the recession. Fast-growing Air Florida's traffic is 90 percent ahead of last year, Southwest's is up 28 percent. US Air's profits for the first five months of 1980 were $19 million, compared with $5 million last year. Southwest's profits were up 63 percent for the first half.

Those airlines are profiting because their managements have made wise decisions in the new, competitive environment. Others—such as Braniff—have done poorly thanks to bad decisions (in Braniff's case, pell-mell expansion). Continental and Western are doing poorly enough to be proposing a merger, even though the government vetoed their previous plan a year ago.

Yet even officials of the money-losing airlines agree that it is the recession and soaring fuel costs, not deregulation, that are making it tougher to prosper. "I'm not sure we could have handled [those problems]" without deregulation, says TWA Vice-President Neil Effman. "Deregulation gave us the opportunity to restructure the airline," agrees Frontier

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They support protection and subsidies instead of the free market.

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The Council for a Competitive Economy is a national membership organization of businesses and individuals dedicated to the maintenance of a free market economy, distorted neither by taxes and regulations nor by protection, subsidies, and special privileges for business. We have a program to change the common perception of political realism—to break the monopoly on the *moral initiative* that has been used so effectively for years by the enemies of capitalism.

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- ☐ The right to be in business and to earn profits;
- ☐ The essential justice of "capitalist acts among consenting adults," to use Robert Nozick's phrase;
- ☐ The destructive consequences of subsidies, regulations, bailouts, and tariffs.

The arguments the Council for a Competitive Economy is making in Washington are those that other pro-business organizations are afraid to make, because they seem "unrealistic"—because they are based on principle.

William Simon wrote in A Time for Truth, *"Most businessmen today have been more concerned with short-range respectability than with long-range survival. Even more disturbing, they also seek to protect their enterprises by endorsing the very values of their worst enemies."*

In testimony before Congressional committees, the Council always stresses the philosophical arguments, the *moral legitimacy* of private property, freedom of contract, and the right to trade.

Other supporters of the free market destroy their credibility because they are afraid to appear "extreme," so they fall back on productivity arguments alone.

When opponents say, "Capitalism is bad," businessmen answer, in effect, "Well, at least it is efficient." This is obviously not an effective defense.

Even more devastating is the impact of businessmen who preach free enterprise, then use the coercive political process because the voluntary market doesn't serve their ends. Such hypocrisy feeds the moralistic attacks and erodes the credibility of the free market.

But the endorsement and membership support of individuals such as you, who understand the real issues, are crucial to our success. This is no time for pessimism. Write to the Council today for more information.

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VP Charles Demoney. Barely profitable Eastern's Vice-President Morton Ehrlich points out that "airlines have changed their product line. . . [for] improved efficiency." And Civil Aeronautics Board analyst Robert Frank calculates that, if airlines were still operating by the rules of 1976, "fares would have gone up by 53 percent by the end of 1979. Instead, fares went up 27 percent."

Another indication of the viability of deregulation is the entry of new airlines, something this country had not seen for 30 years. Since the deregulation act's passage in 1978, Midway Airlines has begun operations, several charter lines have added scheduled service (including World, Transamerica, and Evergreen), and now People Express is in the process of being set up.

Communist Capitalists

Cuba, China, and Russia: indubitably Communist states with the correct revolutionary credentials. What these nations also have in common is a growing realization that The Revolution did not bring about the promised egalitarian peace and plenty. And so they are experiencing quite capitalist "regressions" in the hopes of alleviating some of their problems.

Cuba, scene of the recent northward exodus, decided this year to permit its citizens to buy and sell in free retail markets for the first time since the 1959 revolution. Normally, a farmer or cooperative of farmers would grow a crop on contract for the government, using funds from a government agricultural bank to pay for planting and cultivation and then selling the crop to the government for a fixed price with a small profit built in. It probably sounds good on paper, but the enormous success of the new free markets indicates that it may not be too efficient an allocator. Despite its Communist label, 75 percent of Cuba's produce and coffee, and 20 percent of its sugar crop, is grown on privately owned farms.

State planning in the Byelorussian Republic of the USSR, meanwhile, is also having its ups and downs. Young graduates there are simply failing to show up at their assigned mandatory posts. (All graduates of higher education in Russia are required to work for about three years in whatever post the relevant ministry assigns them to, anywhere in the USSR.) In 1978, five percent of the total number of graduates in Byelorussia (over 3,000 people) ignored their assignments, and government officials are busy finding excuses for the dropouts.

In China, however, the job market problem is quite different. With rampant unemployment to the tune of 10 to 20

million, China has been forced to allow citizens to now choose their own jobs for the first time—and even to create them, if necessary. One suspects that the current Chinese definition of "private business" would make Adam Smith turn in his grave, since the so-called private producers draw on government loans and are strictly licensed and "do not exploit others, abide by state decrees, and work all by themselves," as the director of the Bureau of Labor put it. The Chinese government is also creating more jobs by forcing the already employed to share existing jobs through reduced work hours and increased days off. According to the *Beijing Daily,* the government's failure to find work for everyone is to be blamed on China's population, which is "too big."

China's slide down the slippery slope to moderation is practically guaranteed by the recent selection of a relatively young (61) and progressive new premier, Zhao Ziyang, a protégé of Deng Xiaoping, and an advocate of "capitalist-road" reforms (Trends, June). Zhao takes over from doctrinaire Maoist Hua Guofeng, who will remain party chairman and ceremonial head of state. It is encouraging to note that this bastion of Communism is having to turn to capitalist ways to get ahead but sobering to realize that its dedication is not to freedom at all but to efficiency at any cost.

Private Port in Britain

In the midst of the notoriously strike-prone British docks, where up to eight different unions wrangle nonstop for a better deal and government boards desperately strive to escape bankruptcy, there is one enormously successful, quietly strife-free port: Felixstowe. Felixstowe also happens to be the only large British port that is privately owned.

There are several obvious reasons for Felixstowe's unique success. For one, the owners of Felixstowe welcomed the coming of containerization back in the 1960s and built Britain's first container facility. Other docks, at the behest of the unions, fought containers because they are not as labor-intensive as traditional methods; they are now suffering from reduced demand for those traditional methods. Second, Felixstowe's excellent labor relations is reflected in its productivity, which is substantially higher than in most British ports. There is also only one single union for the longshoremen. And there is, of course, the natural appeal to foreign customers of dealing with a businessman rather than a bureaucrat. As the port's managing director, Geoff Parker, points out, "All our decisions are taken on a purely commercial basis, without political interference. We can deal immediately with any problem that crops up."

Mail Delivery Was Never Like This

The Motor Carrier Deregulation Act recently signed by President Carter provides a perfect example of how the far-reaching effects of economic restrictions can short-change consumers in various subtle ways. Take United Parcel Service and its main competitor, the US Postal Service.

Before the act was passed, UPS was prevented in 10 states from moving on the ground any packages that had a prior or a subsequent movement by air. (The 10

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Most people don't realize it, but your banker often charges you more for interest on your mortgage loan than your house itself costs. For instance, if you buy a $75,000 house with a 30 year mortgage for $60,000 at 13% interest, your banker will pocket a staggering $178,950 in interest payments alone. That's an incredible$103,950more than the cost of your house!

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states: North Dakota, South Dakota, Nebraska, Kansas, Colorado, Oklahoma, Arkansas, Texas, Louisiana, and Mississippi.) Now that the act has ended the restrictions, UPS has expanded its two-day air parcel delivery service to include those 10 states, bringing its total to 48 states covered.

On another front, the number of fourth-class mail packages delivered by the Post Office has been dropping steadily, from a little less than 1 million pieces in 1970 to 600,000 in 1979. UPS, on the other hand, has grown from 480,000 packages delivered in 1970 to over 1.4 million in 1979. It is the third largest transportation company in the United States (in terms of revenue), after Trans World Corporation and United Air Lines, and is privately held, with most of its stock owned by its founder and the rest by employees. Despite the fact that the Postal Service uses revenue from first-class mail service to subsidize its fourth-class parcel delivery, UPS is able to compete by using cheaper part-time workers (the postal workers' union has negotiated this option away from the Postal Service) and maintaining almost 100 mechanized sorting hubs, compared with the Postal Service's 21 centers.

Pirate TV Station in Israel

Pirate radio stations are sweeping the airwaves of Europe, and now an Israeli pirate radio entrepreneur wants to go one step further: he intends to erect a floating, 18,000-watt pirate TV station off Tel Aviv. Abie Nathan says he can put together this shoestring operation with $800,000 initially and a total staff of 30. It would reach 2 million of Israel's 3.6 million residents. Nathan currently operates a pirate radio station that carries rock music and is pro-peace. It has the tacit approval of the authorities, but the same authorities may prevent Nathan from offering Israelis the choice of a second TV channel.

The present government channel is required to broadcast long hours of "educational" shows on such topics as Judaism and Jewish history. Earlier this year a parliamentary committee recommended that a second channel be authorized—presumably commercial and privately operated—but the proposal is opposed by officials of the Finance Ministry (with the exception of the minister himself) and the opposition Labor Party. A law is also being drafted to declare Nathan's unauthorized floating operation illegal.

If it wins the 1981 elections, the Labor Party says it will then cancel any new channel's license. Despite this threat, there are many contenders for the second-channel license. And there is, of course, Nathan, who hopes to get his pirate station going at sea and then move it onshore in Tel Aviv if he gets the license.

Private Water Pluses

California's water shortages could be solved by the creation of a "water market" that shifts water titles from the state's water districts to individual water users. Individual users, particularly farmers, would then be free to use what they need and to sell the balance to the highest bidder. So recommends a three-year, $450,000 seven-volume study by the Rand Corporation.

The recommendation would be implemented by changing many details of the state water law, state and local water agency practices, and pricing and allocation methods. A hypothetical example contrasts two farmers, one in the water-rich Sacramento Valley (Farmer A), and the other in the water-poor San Joaquin Valley (Farmer B). The choice of what crops to plant depend largely on water availability; so although Farmer B would like to plant highly profitable tomatoes, his water allocation allows him to plant that crop only on a small portion of his land. Under a privately owned water system, the study points out, Farmer A could sell his excess water to Farmer B—perhaps even finding it more profitable to partially plant his land in a crop that would consume less water than his current crop and then to sell his "saved" water to B.

The point, says the Rand study, is not that Farmer A is wasting water but that he is using it inefficiently because water is not priced at its real value. If market prices were allowed instead, Farmer A would have more incentive to be prudent. Rand estimates that the annual water assignment of a typical 160-acre farm could have a resale value of almost $13,000.

Private Space

The trend toward privatization of spacecraft continues apace. The National Aeronautics and Space Administration is actively promoting a primary role for the private sector in building and operating satellites. Under NASA's new "joint-venture" philosophy, space systems with revenue-generating potential will now be developed only if the private sector pays part of the cost. This will be the case with a new large-scale (80-foot-long) communications satellite platform. The idea is to mount a number of different satellites on a single platform, allowing them all to share the same orbital slot. Once a prototype platform has been tested in orbit, participating firms will be free to continue using it, paying back NASA out of their revenues.

Another NASA program that is being privatized is the Landsat remote-sensing system. As a first step, NASA has turned over control to the National Oceanographic and Atmospheric Administration (which operates weather satellites). But "the private sector will eventually own and operate the Landsat system," affirms NOAA administrator Richard Frank, just as it took over the communications satellite field. Among the firms that have expressed interest in taking over Landsat are Comsat General, GE, Hughes Aircraft, Western Union, Lockheed, TRW, and IBM.

Indeed, the satellite business is thriving to such an extent that it now supports a weekly magazine. *Satellite Week* was launched early this year by Television Digest, Inc., to keep track of the burgeoning industry. Managing Editor Jonathan Miller sees "a major commercial movement" into such areas as electronic mail and other new forms of communications services and speculates that private firms may even, without NASA aid, develop such far-out systems as worldwide two-way wrist radios.

Privatization continues in the European space program, as well. Last spring 35 industrial concerns and nine banks from 11 European countries signed the incorporation papers of Arianespace—a new commercial firm that is taking over production and launching of the Ariane rocket. Capitalized at $35 million, the firm will make its first launch in late 1982 or early 1983, after 10 Ariane launches by the European Space Agency, which developed the booster. The firm expects to start making a profit after its thirtieth launch.

Rail Deregulation Back on Track

A dispute over the price of shipping coal to utilities in Texas has failed to derail a bill that would substantially deregulate American railroads.

In April the Senate had passed by 91 to 4 an administration bill to reduce the Interstate Commerce Commission's control over railroad freight rate setting. A House bill that went further (ending all ICC rate control after three years) cleared the Commerce Committee in May. But when it reached the House floor in July it was crippled by an amendment, tacked on at the behest of lobbyists for coal-using utilities and some shipping groups, that put a limit on non-ICC-approved rate increases. The bill's spon-

sor, Rep. James Florio (D-N.J.), then withdrew the bill but was pressured by the Carter administration to attempt a compromise. Early in September the House passed such a measure, voting 337 to 20 to allow railroads to increase rates without ICC approval subject to a cap that would be raised over the next four years. The earlier Senate-passed bill would retain even less regulation of freight rate setting, and it remains for the conference committee to iron out the differences.

Meanwhile, the ICC itself is continuing to cut back its own regulations. In August the commissioners voted 5 to 2 to withdraw their sanction—effective October 12—of the charters of the three regional rate boards by which railroads collusively set rates.

Poor money-losing Conrail, however, continues to lose business and rack up more red ink. The long congressional delay in enacting deregulation (which would enable Conrail to abandon money-losing branch lines and raise rates as needed) is leading many to predict the demise of this experiment in quasi-nationalization. One alternative now being talked up is to sell off Conrail's profitable portions to healthy railroads and abandon the rest. Potential buyers include the new lines being formed by proposed mergers: Santa Fe/Southern Pacific, Union Pacific/Missouri Pacific, Burlington Northern/Frisco, Chessie System/Seaboard Coastline, and Southern/Norfolk & Western. While the first three are western lines, the expectation is that they may welcome the chance to become the first transcontinental railroads by absorbing certain of Conrail's routes.

Milestones

• *Carter's Constituency.* A staggering 40.3 percent of the delegates to the Democratic National Convention are direct government officeholders or employees. (In contrast, only 7 percent of the population is employed by government.) The National Education Association and the American Federation of Teachers (the big-two schoolteachers' unions), for example, claimed 372 convention delegates between them—10 percent of the total. Austin Ranney, senior political scholar at the American Enterprise Institute, suggests that Carter won handily because so many people on the floor had a personal stake in many of his spending programs.

• *German Restrictions Lifted.* The Western European Union has lifted the 26-year-old restrictions on West Germany's naval construction, a move that has angered Moscow and boosted West German morale. The ban had been imposed as a precondition for joining the WEU and NATO. The West German government has indicated its readiness to take a more active role in the defense of Europe, and NATO officials noted the growth of the Russian navy as a factor in the decision.

• *Anti-Sales Tax Initiative.* Norman White, Republican candidate for a California Senate district, is sponsoring an initiative that would constitutionally guarantee that "no sales or use tax shall ever be collected from any person in the state." The campaign needs to gather 553,790 signatures by December 29 to qualify for the ballot. California has a six percent sales tax.

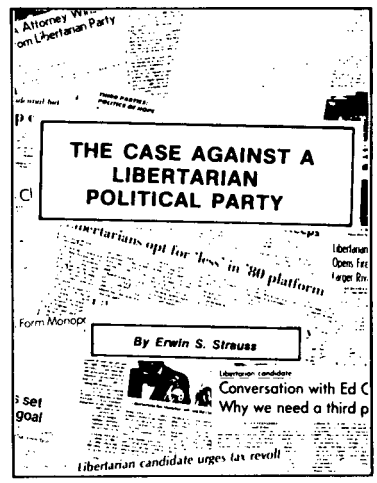
• *Higher Pay, Not Draft.* General Thurman, the Army's recruiting chief, has come out against a peacetime draft. Thurman says that higher pay and a revival of post-service educational benefits would be enough to sustain a quality volunteer force. Today's recruits receive the equivalent of only 84 percent of the civilian minimum wage, he added.

• *More Enterprise Zones.* Rep. Ron Paul (R-Tex.) has introduced into Congress the Free Market Zone Act of 1980 (HR 7875), which would apply to inner cities and Indian reservations. Regulations and laws would be repealed in those zones for 20 years, property taxes cut 50 percent and Social Security taxes abolished, zoning and land-use ordinances nullified, capital gains taxes on individuals abolished, and the federal minimum wage law and OSHA regulations lifted in the zone. Paul's bill goes considerably further than Jack Kemp's enterprise zone bill (Trends, Oct.).

• *Another Voice for Diversity.* Rep. Lionel Van Deerlin (D-Calif.), chairman of the House Commerce Committee's Subcommittee on Communications, continues to fight for the abolition of the Fairness Doctrine (Trends, Sept.), which requires the broadcast media to give air time to those with opposing viewpoints on issues of "public importance." "If Jefferson were around today," Van Deerlin says, "he wouldn't stand for applying the freedoms of speech and press to the print media alone. The more we can do to encourage diversity in programming through multiple outlets, the less the government will have to concern itself with patrolling the airwaves."

• *TV Quota Lifted.* President Carter lifted import quotas on Japanese color-TV sets and granted quota increases in the number of TV sets Korea and Taiwan can ship to the United States. Japan has never gone to the limit of its quota; seven Japanese companies have, instead, built factories here that sell to about one-third of the domestic market.

—Robert Poole, Jr., and Christine Dorffi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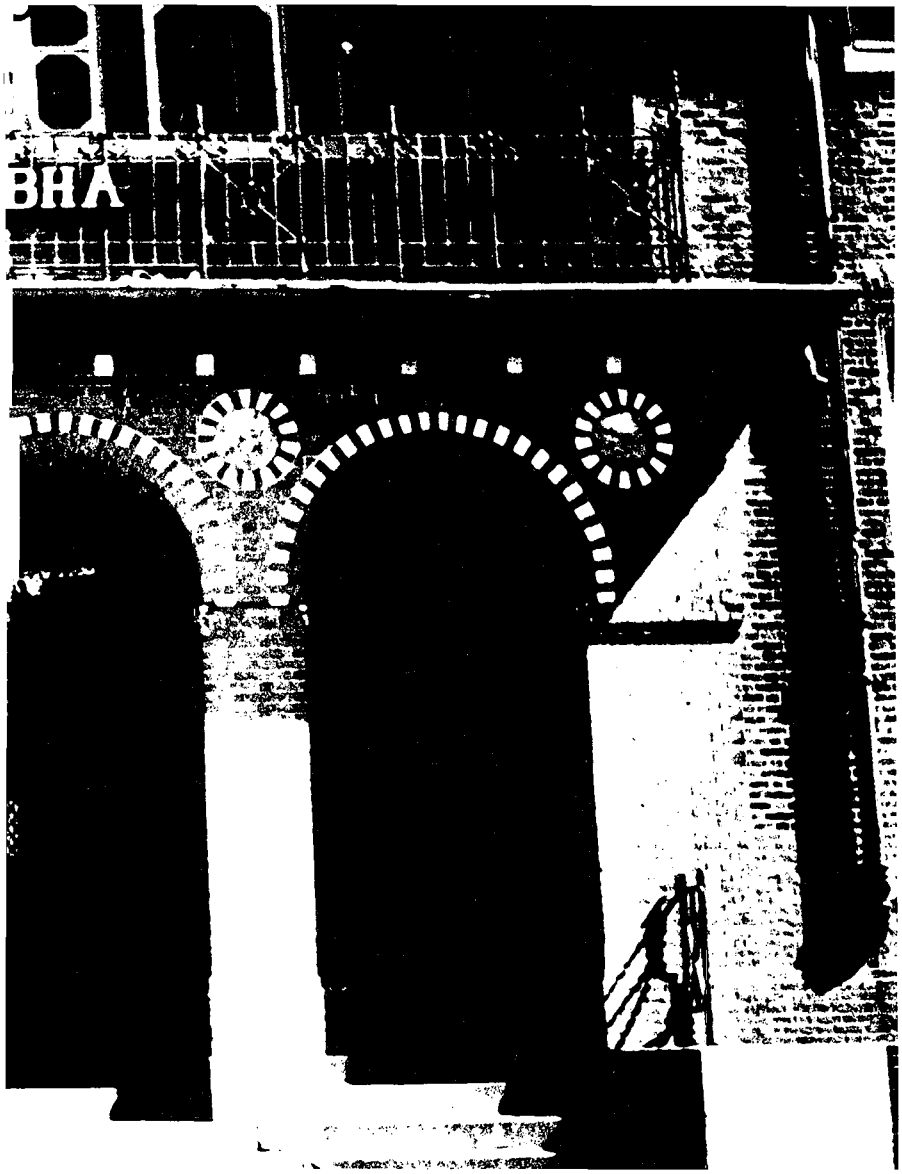
Self-Help Schooling in South Boston

SIX YEARS have passed since Federal Judge Arthur W. Garrity's forced busing order went into effect in Boston in September 1974. It produced a year of chaos, violence, and turmoil the likes of which the "Athens of America" had never seen, the effects of which still linger.

The area of the city that put up the stiffest organized resistance to forced busing was South Boston, the predominantly Irish, blue-collar neighborhood with traditions almost as old as Boston itself. The judge had ordered the children of South Boston to be bused to the predominantly black schools of Roxbury and vice versa—a plan hardly conducive to brotherly love. That year the convoys of buses bringing black children into South Boston and other white neighborhoods had to be protected by both state and city police. And whites being bused into Roxbury required similar protection. Inside the schools throughout the city there were stabbings, assaults, riots, and vandalism. You can be sure that very little, if any, schoolroom education took place that year.

But education of another sort took place that has forever changed the political minds of the people who live around those schools. This violent confrontation with the heavy, coercive hand of government in matters concerning parental responsibilities turned the people of South Boston from Kennedy Democrats into conservative Republicans. It has also turned many of the people in the area against public schools in general, for now they could see quite clearly the social thrust of government education. In fact, South Boston was one of the three areas in the city that started private schools for parents who wanted to keep their children in their own neighborhoods. The school, South Boston Heights Academy, now known simply as Heights Academy, is, in the fall of 1980, beginning its sixth year of existence.

This is a significant milestone, because the first five years are the hardest for a new private school putting down roots in an old community



Why did these blue-collar parents follow rich folks and the counterculture along the road to private schooling? And how did they pull it off?

By Samuel L. Blumenfeld

once exclusively wedded to public and parochial education. It's also significant because Heights Academy has proven not only that private education is viable in a low-to-moderate-income urban area but that it can do a better job of educating than the government schools, at no cost to the taxpayer, at moderate cost to the parents, and without government aid or interference. Private education, in fact, is so much better in so many ways than government education, that one wonders why there isn't more of it. The reason, no doubt, is that you must experience educational freedom before you can really appreciate it, and it takes strong conviction and enormous effort to achieve educational freedom before one can even begin to experience it—I know, because I was there at the birth of South Boston Heights Academy.

Interestingly enough, geography has been the most important factor in determining the somewhat insular character of this neighborhood of 39,000 residents. South Boston is surrounded on three sides by water and connected to Boston proper by several bridges. It is dominated by a steep hill known as Dorchester Heights, which George Washington turned into an impregnable fortress to force the British to evacuate Boston on March 17, 1776—now known as Evacuation Day and celebrated each year in "Southie" by its famous St. Patrick's Day parade. Perched on that hill is South Boston High School, the community's dominant landmark. The community itself is heavily Irish Catholic with a good mixture of second-generation Lithuanians, Poles, Albanians, and Italians. Many own their own homes. It is one of the few neighborhoods where you still find three generations of the same family living within walking distance of each other. Southie's young people tend to marry and stay in Southie.

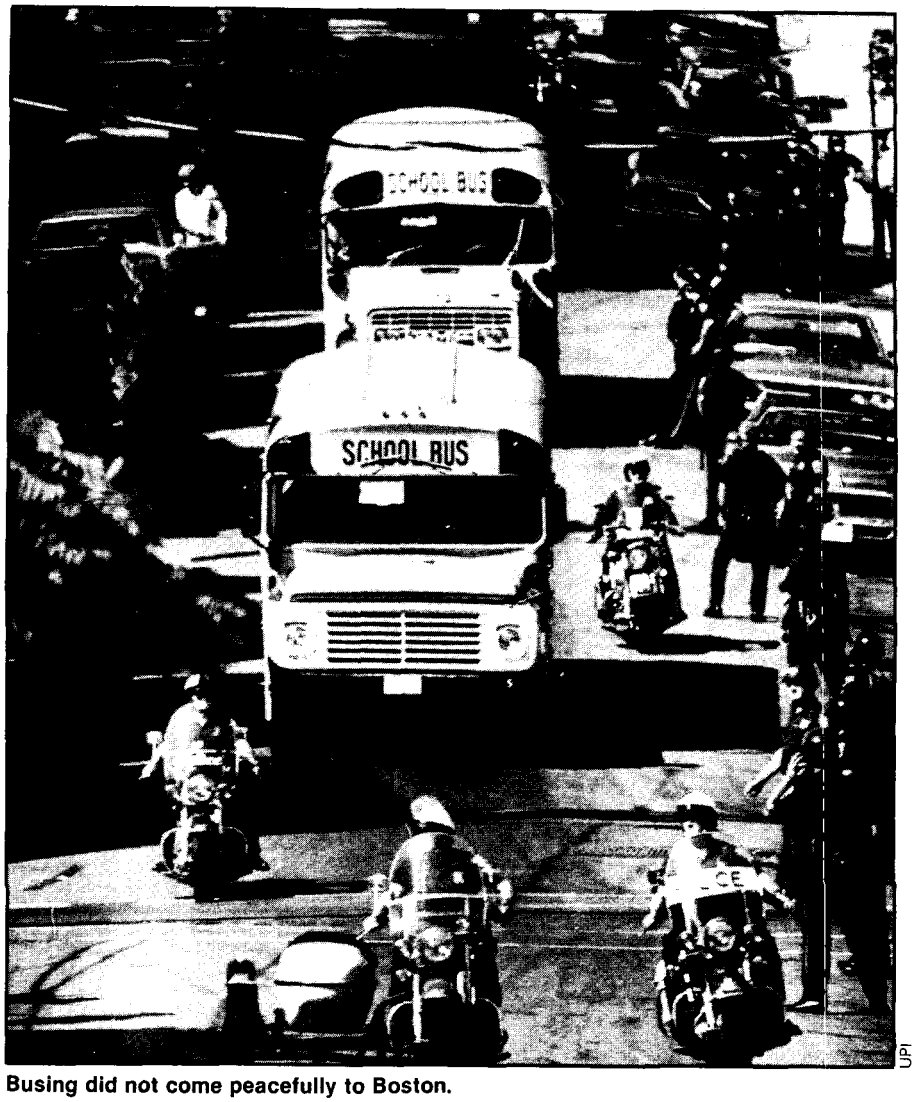
When I first moved to South Boston in 1970 I had virtually no knowledge of private education, nor could I have conceived that such knowledge would ever be useful to a community such as this. Southie was a Democratic stronghold in a city where politics is a family affair. You

voted Democratic because uncle Kevin or sister Cathy was on the city or state payroll. The neighborhood public school was part of the American way of life, like Mom's apple pie and the Fourth of July. Its value was above question. You might have sent your own child to an elementary parochial school for religious reasons, but virtually everyone went to the public high school, which was seen as the government's benevolent instrument whereby all were molded into good, patriotic citizens of the American republic.

MY OWN INTEREST in private education began in 1970 when Neil McCaffrey, a longtime acquaintance and the president of Arlington House publishers, asked me if I would like to do a book on how to start a private school. Neil had sensed a growing nationwide interest in alternatives to government education, and he thought that a book on the subject was needed. I spent a few weeks doing some preliminary research and then agreed to write the book. Although I myself had gone only to public schools in New York City and had received what I considered to be a decent education, in the 1960s I had become convinced on philosophical grounds of the need to separate school and State.

Meanwhile, public education had deteriorated badly since my own student days in the 1930s and '40s. Forced busing, the decline in academic standards, the reading problem, and the "blackboard jungle" syndrome had led thousands of parents to abandon the public schools. During the '60s, public education fell increasingly under attack from both liberals and conservatives, blacks and whites; and the "alternative" school movement began to blossom.

My book, *How to Start Your Own Private School—And Why You Need One,* was published in 1972. In gathering material for the book, I had made an extensive tour of the South to see the new private schools that southern parents had established as alternatives to the integrated "federal schools." They represented the first major movement away from State-monopolized education since the rise of educational statism in America. The national media had played down the significance of these schools, dismissing them as "segregation academies" and predicting that most of them would fold when parents got tired of paying for them.



UPI

Busing did not come peacefully to Boston.

But you had to see these schools for yourself to realize, not only how biased the press was in reporting about them, but how wrong so many intelligent, well-meaning liberals could be about southern parents. The schools I visited—mostly those receiving derogatory mention in the liberal press—turned out to be models of community effort and parental concern. They represented considerable academic input and financial investment. The parents who built them were genuinely interested in the *education* of their children. To them, the government schools had become more concerned with social change than with academic excellence.

The success of these new schools—indeed, the success of the whole southern private school movement—was the best-kept secret in America. Although far less lavish than their taxpayer-supported counterparts, these schools were academically superior to them, and they were here to stay. It was regrettable that it took an issue such as forced racial integration to spark the southern private school movement. But it seemed to me that the movement itself could only help the cause of freedom in the long run.

American history is full of such ironies. It was the slavery issue in 1860 that forced the South to resist growing federal statism by seceding

In the North there was little sympathy for white southern parents; the Court's draconian measures were seen as deserved punishment for the South's past racist sins.

from the Union. And it was under Lincoln that the United States enacted an income tax and conscription in order to save the Union. The Civil War devastated the South and abolished slavery. But it also consolidated statism in Washington.

Eight years since the publication of my book (now out of print), the success of the southern private school is still the best-kept secret in America. There is almost a total lack of interest in such schools. The public educational establishment pretends that the southern private school movement doesn't exist. Their policy is one of containment; so you will find no studies about these schools, no curiosity about their success, no interest whatever in their existence in educational journals. The largely liberal popular media avoids the subject because of the race issue. And the conservative press generally draws a blank when it comes to education unless it involves sex, drugs, violence, racial turmoil, forced busing, and functional illiteracy, all of which are absent from the southern private schools. Success in education makes dull copy.

While writing my book, I also wanted to find out what was going on in the public schools. So I became a substitute teacher in Quincy, Massachusetts, a blue-collar, middle-class city of about 95,000 just south of Boston. As a substitute, I had immediate access to two large high schools and three junior high schools. I hadn't been in a public school since my own graduation from high school in 1944, so it was quite a shock to see how greatly academic standards had deteriorated in 25 years. And these schools were in an all-white suburban community untouched by racial problems. I found sufficient academic justification for parents to get their kids out of the government schools.

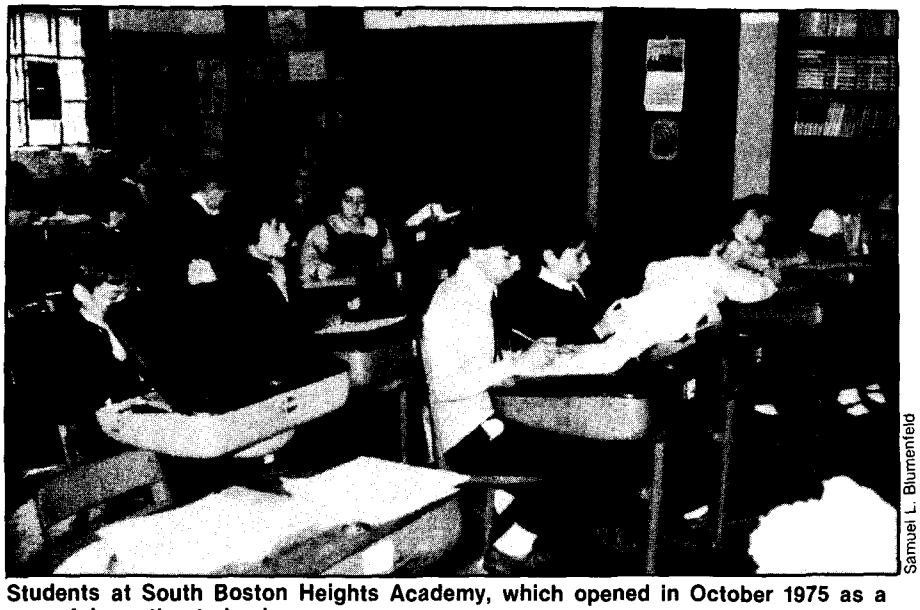
Unfortunately, academic disarray, drug peddling in the school toilets, vandalism, and a general moral disintegration were not alarming enough to spark a private school movement in Quincy. And the same could be said of Boston and every other northern city. The only people in the North who were taking their children out of public schools were the affluent professionals and fundamentalist Christians. The latter were now doing, for largely the same religious reasons, what the Catholics had done over a century before.

UPI

Antibusing protestors in Boston in October 1974.

WHEN THE SOUTH was ordered to integrate its dual public school systems, no one ever dreamed that such court orders would be issued in the North, where, theoretically, racial segregation in schools didn't exist. Actually, the southern desegregation process took place in two stages. The first court decision of 1954 declared the southern system of separate but equal schools for blacks and whites to be unconstitutional. *De jure* segregation was thus outlawed, but not *de facto* segregation, which continued to exist in the South because most neighborhood schools reflected the racial composition of their communities. The court's doctrine of "freedom of choice" merely resulted in token integration, and the South found that it could live with that. In some communities, however, where integration threatened to be more than just token, private schools were established.

When the NAACP saw that abolition of the dual school systems and "freedom of choice" resulted in little actual racial integration, they went to court again to assert a new sociological doctrine of "racial balance." After lengthy litigation, the Supreme Court in October 1969 decided in the NAACP's favor and ordered massive forced busing to achieve a higher degree of integration. The reaction of the whites was not unexpected: a massive exodus from the public schools and the overnight creation of



Samuel L. Blumenfeld

Students at South Boston Heights Academy, which opened in October 1975 as a peaceful reaction to busing.

hundreds of alternative private schools. In 1969, white southerners could no longer secede from the Union, but they could secede from the federal schools.

Meanwhile, in the North there was little sympathy for white southern parents. The Court's draconian measures were seen as deserved punishment for the South's past racist sins. It was assumed that such "Reconstructionist" measures would never be inflicted on the North, where the schools had virtually always been integrated. But in Boston, the NAACP thought differently.

There was no *de jure* racial segregation in Boston's schools, but there was "racial imbalance" in the form of black neighborhood schools being predominantly if not all black, and white neighborhood schools being predominantly if not all white. The NAACP charged that there was a deliberate school-committee policy in borderline areas to assign students to the school where their race was in the majority. So there was in Boston the kind of "token integration" that existed in many southern cities between 1954 and 1969.

And so, in 1965, the Massachusetts legislature passed a Racial Imbalance Act requiring that no school in the state have a student population more than 50 percent black. In April 1966 the state Board of Education withheld funds from Boston because of the school committee's failure to comply with the Racial Imbalance law. From February 1967 to August 1971 the Boston School Committee submitted four racial-balance plans to the state Board of Education. Three were rejected completely as inadequate, and the fourth was accepted in part only. The state board then devised a busing plan of its own, and in March 1974 the state Supreme Court ordered the Boston School Committee to implement the state's plan.

Meanwhile, in March 1972, a group of black parents, represented by the NAACP, filed a class-action suit against the Boston School Committee and the Massachusetts Board of Education, charging them with violation of the 14th Amendment. The litigation took two years, with the NAACP winning its case. On June 21, 1974, Federal Judge Arthur W. Garrity issued his finding that Boston schools were "unconstitutionally segregated" and ordered forced integration via busing to begin in September 1974. It was ironic that the city that had given birth to the abolitionist movement should now come under a forced integration order!

The city was instantly polarized into two antagonist groups: pro-busers and anti-busers, with all of the ugly racial conflict inherent in such polarization. As for the quality of education, there was no indication whatever that at the end of the bus ride the students—white or black—would get a better education than what they were getting in their own neighborhood schools.

Meanwhile, concerned parents had begun to organize antibusing protest groups that started picketing the State House. One morning in April 1974 I saw such a group on the TV news and decided to go down to the State House and give my book to its leader. I was living in the right city at the right time and had the right book.

At the State House I got one of the picketers to introduce me to the young mother from the Hyde Park neighborhood who was the leader of the group. I told her who I was and expressed the opinion that no amount of picketing or parental protesting would reverse the court order. There was only one legal way to avoid having one's child forcibly bused out of one's neighborhood, and that was to create a private school in that neighborhood. I offered her my book, which she bought on the spot. My hope was that she and the other parents would realize that government education was the real enemy in this struggle between parents and the State.

In August 1974 I received two delightful invitations. The first was from the South Carolina Independent School Association, inviting me to address its annual convention in October. The other was a call from a parent in Hyde Park who had read my book and wanted me to address a group of parents interested in starting a private school. The seed had indeed fallen on fertile ground.

I addressed several hundred parents in Hyde Park, stressing how important it was for them to reassert their control and responsibility for their own children's education. I told them of my experiences as a substitute teacher and why I thought that the academic failure of the public schools alone was enough to justify taking their children out of the government schools. I urged the parents to do all in their power to save their children from the educational malpractice, philosophical confusion, and physical dangers of the government schools. The audience response was positive.

In September 1974 the buses started to roll. The senseless and frightening violence that followed was worse than anyone could have predicted. As a result, thousands of parents kept their children at home, and many began planning to move to the suburbs. In neighborhoods like South Boston and Hyde Park, emergency tutoring classes in private homes were organized to provide some instruction for students kept out of school. In both communities, plans were afoot to start private schools.

The community was divided on the issue. There were those who felt that starting a private school would divert effort from regaining control of the public schools—as if the community had ever really controlled them. And in "Southie," where generations had gone to South Boston High School, there was a sentimental attachment to that institution. The thought of that school being taken away from them was a blow to the community's pride and sense of continuity. But the federal power had ordered it to be done; South Boston High School no longer belonged to South Boston.

News about Boston's troubles had reached my hosts in South Carolina, and I was invited to bring along anyone from Boston who might want to visit their private schools and see how the parents there had done it. Thus, when I went to South Carolina in October I was accompanied by two couples from Hyde Park. During our three-day stay we visited many private schools and asked many questions. The purpose of the trip was to convince these Bostonians that parents could indeed start a school if they wanted to. There were too many people in Boston who said it couldn't be done, but once you saw with your own eyes that it had been done, it became a matter of determination and follow-through. About a year later, Hyde Park Academy opened its doors for business. It is still in business today.

It also took about a year for South Boston Heights Academy to open. No one involved in the undertaking had ever started a school before, so it was a learning experience for everyone. Fortunately, the project attracted the interest of a young property owner in the area, James McGowan, who had extensive business experience. He attended some of the organizational meetings and soon took charge. With his direction, the effort began to take definite shape.

An attorney was engaged to devise the corporate structure of the school and write its bylaws so that it could be governed and managed efficiently. A board of directors was chosen from among the organizers. A bank account was opened to handle tuition cash flow. On McGowan's advice, some of the accumulated cash was put into high-yield short-term certificates for maximum interest.

A faculty was recruited through help-wanted ads in the Boston newspapers. The school received hundreds of résumés from interested teachers who would work at the modest salaries the school could pay—$6,500 to $9,000. (Today they are from $7,500 to $12,500.) Twenty-one teachers and a headmaster were hired.

Student application forms and records had to be designed, a curriculum for each grade—primary through high school—planned, textbooks chosen, and a time-schedule arranged in two sessions to accommodate all of the students who had enrolled. Because some of the students had not gone to school during the year of turmoil, but had usually had some form of instruction, tests had to be given to determine proper grade level. A student handbook was written outlining school policies. A dress code was adopted for several cogent reasons: to enhance discipline, to promote neatness, to give the school identity, and to make it easier to spot outsiders. It also simplified the parents' clothing purchases for their children and eliminated student envy and competition in the fashion department. The school wanted competitive minds, not competitive appearances.

It would be naive to assume that everything went smoothly, that the school's board of directors didn't bicker, or that all the teachers were sterling examples of professional competence.

South Boston Heights Academy opened its doors on October 6, 1975, with an enrollment of about 600 in grades 1 through 12 at a tuition of $500 for the year. (Had the facilities been larger, they could have enrolled a thousand.) The school had leased quarters in a newly constructed professonal building in the center of the neighborhood at a rental of $60,000 per year. Parents had volunteered their help to build classrooms, paint walls, refurbish old school furniture, and do everything else necessary to create a school.

And it was all done with the parents' own money. It was a magnificent community effort, with no help wanted or needed from the government or educational bureaucracy. The parents had come to realize that, as far as education was concerned, government was their enemy. Government, in fact, wanted them to fail. But they didn't fail, and their efforts proved that parents could take complete charge of their children's education if they wanted to.

It would be naive to assume that everything went smoothly, that the school's board of directors didn't bicker among themselves, or that all of the teachers were sterling examples of professional competence. The first year of any enterprise is one of trial and error, and that certainly was the case with the Academy. But one thing was quite clear: the children attending the Academy were safer than those traveling on the buses, and their instruction was better than that being given in the government schools. My own concern was with primary reading instruction, and I spoke with the primary teachers to make sure that they understood the importance of phonics in beginning reading instruction. By producing good readers in the early grades, the Academy could go on to become a school with high academic standards, laying the foun-

dation for its future reputation.

The Academy stayed in its rented quarters for its first two years. In 1977 the city of Boston put up for sale one of its older public schools in South Boston, built in 1898. This was part of the city's long-term program of phasing out the old functional schools and building new ultra-modern ones. A federal court ruling stipulated that the building could only be sold to a non-school buyer. Such a buyer purchased the building for $4,000 and resold it to the Academy for $60,000. The Academy was delighted to have the building, even at that price. Another $40,000 was put into refurbishing the building to bring it up to modern standards. This required installing a new fire alarm system, safety doors, bathrooms, lighting, etc. In addition, the Academy was required to pay some $50,000 for the remainder of its lease on the space it was vacating. Despite the strain on the Academy's resources, there was no doubt in anyone's mind that it was all worth it.

In September 1977 the Academy moved into its new permanent quarters. Having one's own building made quite a difference psychologically. It gave the new school a sense of permanence. It was now an established institution in the community.

Meanwhile, disagreements among board members produced the school's first internal crisis, resulting in the resignation of several board members. The corporate structure of the school was also changed to protect the Academy's assets. The school's former landlord had filed a lawsuit against the Academy to collect the full rent on the remaining lease, although he had given the directors a verbal assurance when they rented the space that he would not require them to pay out the lease's full term if they found permanent quarters before its expiration. The academy learned the hard way that verbal agreements are worthless in a court of law.

So now the school is managed and operated by South Boston Heights Academy, Inc., a management company which owns nothing. The school's assets are owned by a trust, the trustees of which are chosen from the Academy's board of directors. It was subsequent to this reorganization that I and several other individuals in the community joined the board, creating a more harmonious group of directors. Also, at this time the position of headmaster was eliminated. In its first two years the Academy had had two educator headmasters, both of whom turned out to be poor school managers. So it was decided to divide the duties of the headmaster between an academic director, whose duties would be exclusively academic, and a manager, who would handle the school's business affairs. The directors chose Jim McGowan for the latter position and Robert Mahoney, one of the teachers, for the former.

Sending a child to the Academy represents a considerable financial sacrifice for families whose gross income averages about $9,200 a year.

The school then applied to the local banks for a mortgage on its property. The banks took a year to decide on the matter, reluctant to believe that a private school could survive in Southie. They finally granted a mortgage of $48,000 on a five-year, short-term payment schedule on property appraised at almost $100,000! In the hard world of economic reality, a private school has to count on its own patrons, resources, and ingenuity for survival.

This has meant keeping costs at a minimum and not duplicating facilities conveniently available in the community. For example, a well-stacked branch of the Boston Public Library is located two blocks from the school. The Academy's students can use it at no cost to themselves or the school. The expenses of a kitchen and cafeteria were eliminated by having the students bring their own lunches. Also, a neighborhood Boys Club of America building provides the school with a gymnasium and swimming at a yearly cost of $12,000 for 160 students—or $75 per student. This includes the cost of an instructor. It is estimated that the city of Boston spends about $400 a year per pupil on physical education in the public schools.

The Academy's small enrollment precludes it from getting into such expensive sports as football. But the school has turned this seeming disadvantage into a plus, by putting the stress on academics. Heights Academy students are about two years ahead of their public school counterparts. The curriculum at the Academy exceeds all state academic requirements. The school day is fully occupied. There are no vacant "study periods" where kids sit around daydreaming or making paper airplanes. New pupils entering the Academy from the public schools are invariably behind their Academy classmates, requiring intensive concentration on areas of weakness to bring them up to standard.

On the matter of discipline and student behavior, the school is probably one of the best and safest in Boston. Whatever mischief goes on is of the family variety. A reprimand or firm voice is usually all that is required to restore order. There has been no vandalism, no graffiti, and none of the vicious kinds of behavior that are now so prevalent in the government schools—some of which must conduct weapons checks at the doors. The Academy's safe, nondisruptive environment encourages academic achievement.

CAN PARENTS IN SOUTHIE afford private education? Barely. Sending a child to the Academy is a considerable financial sacrifice families whose gross income averages about $9,200 a year. Nevertheless, the parents manage to pay. The school arranges payments on quarterly, monthly, or weekly plans. The delinquency rate has been a low two percent. (In the last year or so, payments have become slow, for obvious economic reasons.)

"If this school were located in one of our affluent suburbs, we'd have to turn parents away," says McGowan. "But in Southie it's a struggle because, with competition from the parochial schools, we can't price our-

Samuel L. Blumenfeld

The school day at SBHA is fully occupied.

selves out of the market. We've actually had to lower tuition in the lower grades to encourage enrollment. We charge only $325 for grade one. That's less than a dollar a day! In grade twelve the tuition is $935. That's still the best educational value in Boston—if not the country. Compare that with the $4,600 it costs the taxpayer to educate a child in the public schools of Boston."

Because McGowan's background is the practical world of business, he has been able to bring to the Academy a wealth of experience that educators usually lack. At 35 he's been in retailing, banking, merchandising, industrial sales, wholesaling, real estate, and construction. He's a workaholic who thrives in an atmosphere where things get done. He got involved in the Academy because he could see no reason why good education should not be within reach of the poor and the lower-middle class.

"You can provide good education for about two dollars per pupil per day on double sessions," McGowan says quite convincingly. Such talk delights Howard Jarvis fans but usually doesn't impress educators who have become the prime beneficiaries of Uncle Sam's bounty.

As for coping with government regulations, McGowan's philosophy is quite forthright. "We meet each and every legal obligation and requirement head-on and fulfill them to the letter so that the school's integrity is never questioned by the officials." True, the State bureaucracy places obstacles in the way of those who want to start private schools, but the obstacles are not at all insurmountable, and once you have complied with all of the requirements, the State virtually leaves you alone.

The only federal agency that pokes its nose into the business of a private school is the IRS, which issues tax-exemption to nonprofit organizations. The IRS will not issue tax-exemption unless a school demonstrates affirmatively that it does not discriminate on the basis of race. Recently, the IRS tried to revoke the tax exemptions of fundamentalist Christian schools unless they could prove that they were not discriminating racially, which is hard to do if all of your students are white and there are no blacks in the area who want to pay to attend your school. The IRS has suggested that in such cases private schools ought to provide scholarships for black students as an affirmative measure to prove their nondiscriminatory policies. But many of these schools can't afford to give scholarships to anyone, black or white. A congressional outcry forced the IRS to back away from its absurd demands.

The tendency of the federal bureaucracy to use the tax system as a means of forcing social change represents the greatest danger to educational freedom in America. It demonstrates how bureaucracy will attack freedom whenever and wherever it appears vulnerable. Since the private school is one of the last remaining bastions of freedom in this country, it is an excellent indicator of government tendencies and intentions.

In 1978 the Academy attracted the attention of Bill Johnson, director of the Center for Independent Education, a think-tank now affiliated with the Cato Institute. McGowan was invited to a CIE conference in Atlanta at which he told the SBHA story. He suggested that low-to-moderate-cost private schooling could be made available throughout the country if a uniform means of school management were devised to reduce operating costs to a minimum. Out of that conference came the idea of franchising the SBHA format so that other educational entrepreneurs could set up similar private schools in suitable market areas and turn a good profit.

On his return to Boston, McGowan put together a rough franchise package covering curriculum, personnel selection, accounting, record keeping, advertising, purchasing, etc. The key to profitability in this package is the maintenance of a certain minimum enrollment. If enrollment falls below that minimum, the school loses money; if enrollment rises above it, it can make money. The project is still in the development stage, awaiting the infusion of enough venture capital to make it fly. "We're past the theorizing stage about private education for the masses," says McGowan. "We're ready to go out and help people start schools. But we need seed money."

As THE ACADEMY enters the '80s it is confronted with problems quite different from those it faced at its birth. The busing emergency has subsided, and Boston families have adjusted in one way or another. Some have moved to the suburbs. Others have put their children in low-cost parochial schools. A smaller group has enrolled its children in the three private schools that sprang up in Boston in 1975. White enrollment

in the public schools, which was 57 percent of the total in 1973, had dropped to 38 percent by 1979. So there has been considerable white flight from the system, guaranteeing a continuation of the racial imbalance that busing was supposed to eliminate. To solve the problem, busing advocates now want a metropolitan busing plan that would include the suburbs. But opposition to metropolitanization is so great in the suburbs that there is little chance of it ever being implemented in this part of the country. Yet, who knows?

Involvement in a private school gives one a sense of the future, because the entire purpose is to prepare the new generation to assume the responsibilities of adulthood.

Meanwhile, the Academy must deal with problems that confront virtually all schools these days—falling enrollments and higher operating costs. In fact, double-digit inflation and a declining birthrate are the two realities that will challenge the Academy for the foreseeable future. And in a way the Academy welcomes this challenge so that it can prove its true value and viability in a very competitive situation.

Enrollment at the Academy is now down to 260. From an academic standpoint this is a very comfortable enrollment. And in an area like South Boston, with competition from both parochial and government schools, it is still somewhat phenomenal. The school's present student/teacher ratio of 13-to-1 is an educator's dream but a business manager's headache. A 20-to-1 ratio would cover all operating costs. Indeed, an enrollment of, say, 350 would permit the school to *lower* its tuition. But how does one increase enrollment when there are fewer children around? By opening a low-cost kindergarten to attract children for the primary grades and launching an aggressive recruitment campaign for the higher grades. And this is what the Academy is planning to do.

To supplement its tuition income, the Academy has had to increase and diversify its fund-raising efforts. These include bazaars, rummage sales, car washes, dinners, candy sales, raffles, ceramics classes for adults, and dances. Recently the school obtained a bingo license, which now permits it to operate several good fund-raising activities each month. Parents who help out in these activities get a reduction in tuitions. Also, by advertising these activities in the local paper, the school gets greater visibility.

Sailing the seas of educational freedom can be an exhilarating experience. Involvement in a private school gives one a sense of the future, because the entire purpose of the school is to prepare the new generation to assume the responsibilities of adulthood. Indeed, the activist atmosphere of a successful private school can create an enormously stimulating environment for the student. The school's success imparts itself to the student, who is nurtured by it.

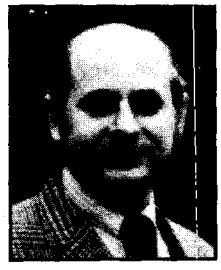
Public education, on the other hand, instills a sense of passivism in the parent who feels as if the future is being shaped by others alien to himself: educational theorists in remote universities, social scientists, collectivist professors, anonymous bureaucrats, state commissioners, and federal judges. The failure of government education has created a syndrome of failure, frustration, and depression in its students. The result is senseless student rebellion in the form of vandalism and violence. And because the source of frustration—the State system—is never really identified, the student takes out his hostility on the teacher.

At Heights Academy the prevalent mood is one of optimism and confidence. The students work diligently, have fun, and enjoy going to school. They are not expected to bear the burdens of liberal guilt or solve the social problems of mankind. They are loved by parents who care enough to keep them out of the line of fire so that they can grow and learn in an atmosphere of stability and calm.

On June 6, 1980, South Boston Heights Academy graduated its fifth senior class, comprising 20 students. The class valedictorian, Mark Azar, reminded the audience of the uncertainty and apprehension that all graduates feel as they leave the security of school and family and go out into the greater world. "We, however, have a very distinct advantage over other graduates," he said. "We have been encouraged to develop a sense of responsibility, a degree of maturity. For this we are grateful to our parents and teachers. What is the true key, however, is not that we have these two attributes; rather, it is that we have been made to use them.... By combining responsibility and maturity, with our knowledge and past experiences, we will indeed be far ahead of the other 'classes of 1980.' " Mark's words made all of us who had helped create the school feel quite happy about the results. When the ceremonies were over, one could see in the happiness of the graduates a radiant reflection of the great concern and effort that had made their good education possible.

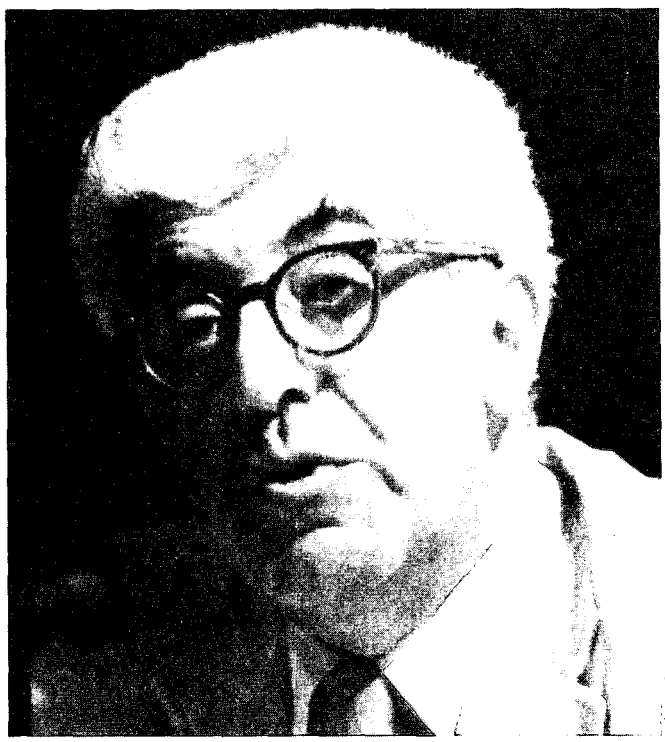
The founders of Heights Academy prove that educational freedom still exists in America and that all it takes to enjoy that freedom is the effort required to exercise it. They also prove that a good school can be started by a group of lay citizens with good instincts, economic common sense, and the ability to seek out competent professional advice when needed. If citizens across America did the same, they would not only restore sanity to the classroom and reduce the cost of education, but would insure the survival of freedom in this country. For it is a nation's educational system that determines the design of its future. ◻

Samuel Blumenfeld is the author of several books, including The New Illiterates. *He wrote "Why the Schools Went Public" for the March 1979 issue of REASON.*



BARRY COMMONER:
The Sunshine Candidate

Does bad science make good politics?


Jonnie Gilman

BY DALE GIERINGER

NOTABLE among this year's "other" candidates is Dr. Barry Commoner, biologist turned solar-energy advocate. Commoner is running for president under the banner of the Citizens Party, a leftist coalition organized for the event by himself and friends, and including Mario Savio, Julian Bond, Studs Terkel, and vice-presidential candidate La Donna Harris. Solar energy and economic democracy are leading themes of the Citizens Party platform, which calls for public control of the energy industry, a swift halt to nuclear power, and a strong push for conservation and solar energy. Commoner himself, in his latest book, *The Politics of Energy,* argues that solar energy is by nature a public good, incompatible with the private, profit-oriented institutions of capitalism, and so requiring public support and direction.

A very articulate man, and renowned for being a scientist, Commoner has succeeded in attracting considerable attention to his candidacy. The *Village Voice* led the media in touting him as a plausible leftist alternative to this year's major-party offerings. *Bill Moyers' Journal* has lionized him. His books on energy have been popular and were serialized in the *New Yorker.* He is an engaging speaker and a hit on the campus speaking circuit. His political activities have sparked interest in the scientific community and have been covered in the pages of *Science* and *Nature.*

It is Commoner's work in biology, though, and not in energy economics, that is the basis of his scientific reputation. By his own account, he has never had a course in economics. And now, his tendency toward public advocacy has come to compromise his reputation as a biologist.

"Commoner is in a way always doing too many things," says one prominent Berkeley biologist. "I don't think that any scientist that really knows his work respects him that much." Other scientists confirm that Commoner has a reputation more for publicity than for science, using the ideas of others to draw overly broad and unwarranted conclusions and being "too eager to prove his case."

Even many serious environmentalists and solar-energy advocates have joined the ranks of Commoner's critics. Prominent among them is Prof. John Holdren of the University of California at Berkeley. A leading opponent of nuclear energy, Holdren complains, "The problem with Commoner is that on many issues he is half-right, but the other half is nonsense."

Holdren's disagreements with Commoner date back to 1972, when he and Paul Ehrlich, the noted Stanford biologist, wrote a scathing review of Commoner's best-selling book on ecology, *The Closing Circle,* for the *Bulletin of the Atomic Scientists.* Upset by what they saw as a "one-dimensional" view of ecology that overemphasized pollution to the neglect of population and economic growth, Ehrlich and Holdren charged Commoner with using "biased selection of data, unconventional definitions, numerical sleight of hand, and bad ecology." In a lengthy but evasive reply, Commoner did everything but refute these charges.

Commoner's first book on energy, *The Poverty of Power,* met with similar criticism, this time at the hands of the eminent economist Kenneth Boulding, a liberal and judicious scholar who is widely celebrated for his pioneering work in ecological economics. In a withering review for *Society,* Boulding denounced *The Poverty of Power* as a "very bad" and "dishonest" book, "a political

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HOW RIGHT IS REAGAN?

The GOP platform is a curious mixture of pragmatism and purity.

BY DOUG BANDOW

WHAT COULD WE EXPECT from Ronald Reagan in the White House? To what extent would a Reagan administration continue traditional Republican policies, as opposed to branching out in new directions inspired by the various forces contending for influence within the ranks—the populist New Right, the sophisticated neoconservatives, and the libertarians?

Although it makes sense not to take party platforms very seriously as predictors of action, the 1980 GOP document—and the speeches at the convention that shaped it—can still give us some clues about the divergent strains of thought contending for Ronald Reagan's soul. And that combination ends up being a mixed bag as far as liberty is concerned.

Although the GOP expresses generous concern for individual rights and responsibilities—in convention speeches William Simon denounced government "coercion" and Reagan himself called for restoration of "the American spirit of voluntary service"—when it comes to expressions of individual choice the GOP speaks with a starkly different voice. The party today enthusiastically supports government suppression of drugs and drug paraphernalia and favors a nationwide ban on abortions. At the convention, concern over morality never extended to the propriety of such instances of coercion as taxation, regulation, or minimum-wage laws.

Republicans today find themselves in greatest agreement on foreign and defense policy. (This section of their platform, termed "Peace and Freedom," was approved in a mere one and a half hours.) The GOP is now committed to a "superior" defense, which, if it means overall superiority, rather than qualitative excellence, could portend an arms race: the Soviets—not unreasonably—may reject "inferiority."

To attain a "superior" defense, Reagan and the GOP are calling for a massive arms buildup, including: the MX missile, manned strategic bomber, air defense system, accelerated cruise missile, antiballistic missile system, Mid-East presence, improved navy, improved air and sea mobility, modernization and increased production of armor, and increased airlift capability. Some of these programs are undoubtedly cost-effective and necessary for our defense—but *all* of them?

Moreover, the Republicans promise to promote American influence in virtually every continent, as part of what Senator Richard Lugar has termed an "effective free-world alliance." Yet many of these allied countries are ruled by what Gerald Ford once described as "assassins" and "despots." Why US taxpayers should be forced to protect a world full of despots has never been adequately explained.

Although debate over the ERA and abortion attracted most of the media attention at the convention, the GOP does have notable positions on domestic issues that are more significant. For instance, the platform excoriates Jimmy Carter for deliberately causing a recession. Republicans have now solidly embraced tax-rate cuts, accelerated depreciation, spending limitations, and budget balancing. Rep. Jack Kemp's economic-oriented speech was one of the highlights of the convention.

The Republicans are also taking out after "Big Government," noting that the government's power to tax and regulate has "reached extravagant proportions." House Minority Leader Rhodes speaks of lavish and reckless spending boosting taxation

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ED CLARK:
Another Kind of Candidate

The Libertarian Party looks like it's here to stay.

BY PAUL CIOTTI

IN PERSON, ED CLARK comes across thoughtful, decent, and low-key (he is not, his supporters say, a "tub thumper" or "stem winder"). Supporters also claim to admire his mind ("subtle and deep"), his easy familiarity with foreign affairs ("the only presidential candidate who has passed the Foreign Service exam"), and his instinctual commitment to libertarian principles—"His impulses are right," says Roy Childs, editor of *The Libertarian Review*. "He's not just a person who has thought through the issues."

On the negative side, he's an unexciting speechmaker and he earns his living as corporate counsel to a big oil company. If he were actually to be elected president and had to preside over the dismantling of the empire, his abilities would be put to the test. "But obviously he's not going to be elected," says Milton Mueller, director of Students for a Libertarian Society. "His function is to put the party on the map, and for that he's an ideal candidate."

At party functions, Clark is sometimes introduced as "the eminently reasonable radical," by which his supporters mean to suggest that he has such an unparalleled talent for stating even quite radical propositions in such a reasonable, low-key way that even the most pious liberal or hide-bound conservative never thinks to take offense. His background, in fact, is quite traditional. He's a former naval officer, Harvard Law alumnus, and presently an anti-trust lawyer with Atlantic-Richfield.

He was a liberal Republican before he became a Libertarian, working on John Lindsay's mayoral campaign and writing $25 checks to various Republican causes. Even then, he says, he wasn't crazy about the Republicans—he thought they were "by and large" wrong about Vietnam and "insensitive" on civil rights, but at least they came down on the side of free-market economics.

Then on August 15, 1971, a day that Clark still can't recall without an edge to his voice, he returned to a Dallas hotel room at the end of a long day, snapped on the TV, and, he says, "Richard Milhous Nixon came on and said, 'I've struck a great blow for the free-enterprise system—I've imposed wage-and-price controls on every American.' "

At that point Clark turned off the Republicans forever. "And I got on the telephone and called my wife (who was visiting her relatives) in Mexico City and yelled at her for three-quarters of an hour, and I never yell at anyone, least of all my wife."

A few months later, Clark attended an educational conference at Columbia University, the subject of which was libertarianism. "And I said, 'My God. Where have these people been? I believe this. I've always been anti-war. I've always been pro-civil rights. I've always been for a free-market economy and voluntary exchange.' I've been a libertarian ever since."

THE CLARK PROGRAM

If elected, Clark would immediately move to deflate some of the mystique surrounding the president. As a first step, he says, he'd move into the Blair House, not the White House (he calls it a "palace"). He'd eliminate entirely the 50-person staff for the president's wife (its only function, says Clark, is "to help her husband be reelected president"). He'd refuse to take a salary and would rather support his family on voluntary contributions from the American people. And finally, he'd sell Camp David and retire Air Force One.

Foreign policy. The single issue which seems to offend Clark more

"I hope that the Clark campaign is markedly successful. I think that the need to challenge the two parties is very clear, and the Libertarians, it seems to me, of the parties that are in the field, offer the best center around which a new political movement of significance in this country could be built."

—SENATOR EUGENE MCCARTHY, former independent presidential candidate

than any other is the Carter stand on draft registration. "Why does Carter want conscription?" asks Clark. "Well, for one, he's president of a big country, and he wants to have what the presidents of most big countries have—he wants to have conscription. Brezhnev has got conscription in Russia. (Vice-Premier) Deng has got conscription in China. Those wonderful democrats in South Africa—they've got conscription. The Shah of Iran had conscription before he was thrown out. All of the big boys in world politics want conscription. And Jimmy Carter wants it too."

As a first step toward reducing the likelihood of American involvement in foreign wars, Clark would bring home American troops from Germany, Japan, Korea, and everywhere else they are today. "We have 330,000 troops in Europe right now," says Clark. "And what are they doing?" Serving as a "trip-wire" in case Western Europe gets invaded. That, and defending the Germans. "And anyone who follows history knows that the Germans don't need anyone to defend them," says Clark. "In World War II, they took only almost the entire civilized world. If history shows us anything, it's not only that the Germans can defend themselves, they have to be restrained from going after other people. And now that they've built themselves a decent society in Germany, they ought to put up the money to defend it. They're a richer country than we are. There are a lot of them. They've got a talent for military organization, and they can defend themselves all by themselves against the Russians." And the same holds true for the Japanese, he says.

"The Clark campaign had a splendid opportunity to educate the public in the principles of libertarianism and thereby to draw knowledgeable, dedicated libertarians into the Libertarian Party. So far, they have largely muffed it. Libertarian principles and the LP platform have been diluted and contradicted in order to tailor the Clark campaign to middle-class liberals of the sort who read and write for the *New York Times*.

"As a result, the public is being 'educated' in what Clark has summed up as 'low-tax liberalism' rather than in libertarianism. Unfortunately, what votes the ticket gets are not likely to be votes for libertarianism, and the number of dedicated party members will not rise significantly. It's too bad the top leadership of the campaign has thus managed to frustrate the remarkable efforts of many thousands of LP workers across the country, as well as the cause of liberty."

—MURRAY N. ROTHBARD, economist and author

"Ed Clark is as superbly lucid and persuasive an exponent of the libertarian position as has yet appeared on the libertarian political scene. One of the most significant aspects of the Libertarian Party campaign is that it provides a vehicle for people to hear him and his ideas. It is one thing, however, to accept the principles of libertarianism, and quite another to know how to present them to the uninitiated. In my view, Ed Clark is a master."

—NATHANIEL BRANDEN, psychotherapist and author

Education. Until the day when all public schools finally close their doors, Clark is proposing an interim educational plan that would allow up to a $1,200 tax credit for anyone paying a student's tuition at a private school. "Parents wouldn't have one Los Angeles Unified School District to choose from," says Clark. "They'd have hundreds of districts." Furthermore, since public schools would have to compete on an equal basis with private ones, they'd have no choice but to improve.

Right now, says Clark, public schools are a disaster: "The educational levels are dropping, violence is rising, and everything you test for has dropped almost every year." In spite of this, Clark says, there are people who would gladly force everyone to go to public schools. Clark contends that, not only is such thinking totalitarian at its core, but it totally ignores the way public schools indoctrinate children into believing that the "solution to all society's problems is government." "How can any government school talk against taxation," asks Clark, "when they get all their money from compulsory taxation?"

"When I became a libertarian activist in 1964, the libertarian movement was a few dozen people cranking out mimeographed polemics. Now, it's a national party that'll be on the ballot in 50 states—more than any of us could possibly have expected 16 years ago.

"But, impressed as I am with how much Clark and the Libertarian Party have accomplished, I do have some criticisms. For example, the main campaign brochure, while professionally done, with hard-hitting points, has not one word on women's issues. Clark's recent issue paper 'Women's Rights' refers to the LP as a 'champion of women's rights and a feminist party.' But Clark has got to give abortion rights, the ERA, and protective labor laws—on which his stands *are* excellent—the same status in his campaign as the other issues if he wants the LP actually to be taken seriously as the champion of women's rights."

—SHARON PRESLEY, national coordinator, Association of Libertarian Feminists

Nuclear power. Clark's stand on nuclear energy is that he's neither for

"A year ago, I was very enthusiastic about the prospects for the Clark campaign. Now, I've lost a lot of that enthusiasm. I still support Clark; I intend to vote for him, and I'm urging others to do so. But it's more a symbolic gesture than anything else.

"I've said all along that the present strategy of pandering to the liberals is wrong, primarily because it's involved compromises on principles. It's led Clark into taking incredibly watered-down stands and creating deliberate misimpressions about the Libertarian Party positions on a whole gamut of issues, from monetary policy to nuclear power to tax repeal to defense.

"Plus, of course, it hasn't worked. Whoring off after the controlled national media hasn't gotten us anywhere. It's very unlikely that we'll get 'several million' votes, and we're certainly not going to establish a three-party system in 1980. This is the direct result of a weak strategy and bad management."

—DAVID F. NOLAN,
founder, Libertarian Party

"Although it is tempting to invest hope in the candidacy of Ronald Reagan this year, there are better reasons to vote for Ed Clark. Reagan is shallow and would flounder as he attempted to implement domestically his rather vague belief in liberty. In foreign affairs Reagan is perhaps even more reckless than Carter and would have greater pressure to wield American power, never mind the damage this does to liberty at home and abroad.

"Although Ed Clark can sound sloganistic on foreign affairs, and I would hesitate to trust him fully as president for fear that he would interpret defense of the United States purely in geographical terms, his basic message of restraint is sound. On the domestic front, he is so superior to all the other prospects, that sending Washington the message of a massive vote for Clark's libertarian views cannot but improve the chances of freedom in the world."

—TIBOR R. MACHAN,
senior editor, REASON

"I hope that the Clark campaign will have a great impact. I think it really represents the only second choice for American voters, and I hope that they see that. A vote for Clark, whether or not he wins, is not a wasted vote, while a vote for the two other candidates is a vote for the same thing *and* a wasted vote. You can't say anything by voting for Reagan over Carter or for Carter over Reagan. You *can* say something by voting for Ed Clark."

—NICHOLAS VON HOFFMAN
syndicated columnist

it nor against it—he just wants the government out of it altogether. Because the industry has been subsidized by the government, believes Clark, nuclear power plants were rushed into production before the technology was adequate to the task. Clark would deal with safety problems by eliminating subsidies to the industry and repealing the Price-Anderson Act, which currently limits a utility's liability to an unrealistically low $560 million in case of disastrous accident. The need then to obtain their own liability insurance, says Clark, would force utilities to "close down the dangerous plants and fix up the ones that could be fixed up."

Inflation. Clark ridicules any administration suggestions that it's OPEC that caused our inflation because they raised the price of oil. The fact is, says Clark, it's not OPEC that controls the printing presses, the budget deficits, or the Federal Reserve. It's our own government that's causing inflation by printing money to pay for its annual deficits. The cause of inflation is no mystery, says Clark; there's nothing "occult" about it: "The politicians don't have the guts to raise taxes to pay for new programs." So they make up the difference by printing money.

PARTY DOUBTS

Clark is personally well-regarded in libertarian circles. Yet there still are divisions in the movement not only over the running of his campaign but also over the larger issue of whether the movement should have a party at all.

The contradiction in the Libertarian Party, says long-time libertarian Robert LeFevre, is that it's an "embryonic government offered by people who say they don't want one." LeFevre grants that the party is a great engine of publicity. "But what is being learned?" he asks. "That libertarians are a bunch of kooks who want power."

LeFevre points to the 90,000 people who registered Libertarian in California to help the party qualify for the ballot in that state. Most of them, he says, have never even read a single piece of libertarian literature. "They just wanted to be good guys and sign."

This has nothing to do with freedom, says LeFevre. Freedom is responsibility and self-discipline. And the way you achieve it is through a "life-time individual war of attrition," not by seizing the government and handing people freedom on a platter.

Clark supporters respond that it's all very fine to keep yourself so pure that you wouldn't even shake a politician's hand, but the facts are, if you intend to pare down the State, you need a mechanism to accomplish the change. What these antiparty people refuse to recognize, says former *Inquiry* editor Bill Evers, is that if you hope to repeal oppressive laws you have to have someone in office to do it. "If you don't play the game," seconds REASON Senior Editor Tibor Machan, "you're going to leave the field open to people who never give freedom a thought."

There is, of course, always the danger that an ideological party will sell out, but what, asks New York economist Murray Rothbard, are the alternatives? "Violent revolution, which has never worked in a democratic system, and the black market, which is fine, but it doesn't get rid of the State."

On the matter of selling out (an issue over which libertarian tempers burn especially hot), Rothbard responds: "Our platform gets more radical every time there's a convention." But the fear is always there that once Clark (or any of the other nearly 600 party candidates who will be running for office this year) begins to see himself as a serious contender, there might be an irresistible temptation to water down or repudiate some of the party's more radical propositions (the litmus test is privatization of the roads), and instead of calling for an end to the IRS will rather start talking about "a 20 percent cut in taxes" and the need for "fiscal reform."

At that point, the Libertarian Party will have become indistinguishable from those of the Republicans and the Democrats, which is to say it won't be any use to anyone at all. "We have to force our candidates to keep bearing witness," says Rothbard. "How are we going to get rid of the State if we don't announce our intentions?" ◧

Paul Ciotti is a free-lance writer in the Los Angeles area. He is currently working on an investigative journalism project for REASON.

Bandow

(Continued from p. 34.)

to "nearly confiscatory levels," and even John Connally has denounced "privilege and special interest, living off the bounty of the federal government."

The irony, of course, is that for eight years Republican presidents presided over, and in large part approved, massive increases in spending and regulation. And this year the Republicans advocate significant new government spending on defense and veterans' programs, rental housing construction, drug enforcement, transportation, an unemployment "safety-net," water projects, and the arts and humanities.

On the other hand, except for three omissions—nuclear power subsidies, Department of Energy abolition, and windfall profits tax repeal—the GOP platform's energy section faithfully reflects the free-market alternative. Indeed, following an eloquent attack on arbitrary regulation by Michigan Republican Dave Stockman, who had done most of the work on the energy section, the platform delegates even voted to repeal the 55 mile per hour speed limit.

Again, however, Republicans' blaming Democrats, and even Senate Minority Leader Howard Baker's call for "freeing free enterprise to produce again," are curious. For was it not Eisenhower who vetoed natural-gas deregulation? Nixon who imposed oil price controls? Ford who signed the extension of the Federal Energy Agency and natural-gas regulation and proposed a $100 billion federal energy program? and Baker who voted for the Department of Energy and the windfall profits tax? Reagan and the Republicans may offer a better future, but Republicans and Democrats together caused the dismal present.

CONTENDING FORCES

One of the interesting conflicts in today's Republican Party is between conservative purists and conservative pragmatists. North Carolina Sen. Jesse Helms, representing the forces of righteousness, argues that "what is at stake is not simply the principles of a party, but the principles of a nation." In contrast, pragmatists like Kansas Sen. Robert Dole and former Ambassador Anne Armstrong, emphasize Republican Party unity and victory.

This conflict was apparent during the convention's platform debates, where delegates occasionally heeded but more often ignored appeals for moderation. For example, delegates rejected a proposal, offered by frequent REASON contributor John McClaughry, to dismantle local public-transit monopolies, and they withdrew a plank supporting the "Sagebrush Rebellion." At the same time, though, a teacher-delegate from Rhode Island proposed eliminating the federal Department of Education; after politely listening to congressmen and senators discuss flexibility, lost votes, and negativism, the delegates proceeded to pass the amendment.

Ronald Reagan has managed to fuse these two strains of purity and pragmatism, cloaking his past stands with moderate rhetoric while calling for a new consensus based on a shared "community of values." The most lasting result of the Reagan candidacy, however, will not likely be the issues debated, but the people debating.

Ronald Reagan, of course, may lead to victory a united Republican Party committed to partial domestic deregulation and substantial foreign intervention. *George Bush,* because of his presidential campaign and selection as vice-presidential nominee, is now positioned for a presidential race in 1984 or beyond.

Rep. *Jack Kemp* has established himself as a potential Bush rival. His convention speech won rave reviews; his chairmanship of the foreign policy platform subcommittee dispelled his "johnny-one-note" image; and his adept overall performance won him new credibility.

Bob Dole, veteran of a disastrous vice-presidential race four years ago, this year has begun his rehabilitation through sponsorship of platform planks on minorities, the handicapped, and the auto industry, as well as his accessibility and eye for publicity. Finally, *Jesse Helms* has firmly grasped the leadership of the moral and foreign policy hardliners—a group too small to dictate but too large to be ignored.

The Republican Party of Ronald Reagan may soon hold the reins of national power. Republicans often sound like they are firmly committed to individual liberty. In practice, they embrace policies going in all directions. But their potential for advancing liberty on some fronts should not be ignored. ◧

Doug Bandow is an attorney and a free-lance writer.

Gieringer

(Continued from p. 33.)

tract disguised as a scientific statement," with "logical fallacies on almost every page."

In the light of this record, it is perhaps surprising that Commoner was invited to speak on energy and economics before the American Association for the Advancement of Science (of which Boulding, ironical-

ly, was then president), at its convention in San Francisco earlier this year. Energy, however, is a popular topic in scientific circles these days.

Commoner acted the part of the politician, taking occasional potshots at President Carter, the Department of Energy, and the oil companies. Except for a handful of hostile questions, his performance was not ill-received by the audience. He was, of course, popular with the not inconspicuous minority of activists calling itself "Science for the People."

His scientific contribution to the conference was more questionable, however. Although he took part in three different panel discussions, unlike many participants he did not contribute any original paper to the proceedings. Rather, with more than a little repetition, he reiterated his standard campaign material, virtually all of which was familiar to me from a lecture I had heard him deliver nearly two years previously at Stanford. Even his slides were the same.

ENERGY ALTERNATIVES

Commoner's argument is set forth in his latest book, *The Politics of Energy,* a slick, popularly written political tract. It begins with the proposition that our present economic system is "cannibalizing itself"; that as long as we are dependent on exhaustible fossil fuels, the cost of energy will rise "exponentially," causing continued inflation and economic distress. The only way out, he deduces, is to go to an entirely renewable energy source, such as solar energy or the breeder reactor. Of these, Commoner is convinced that solar is the only safe, clean, "politically acceptable" alternative, and he has accordingly designed a unique, decentralized, all-solar energy system for the nation.

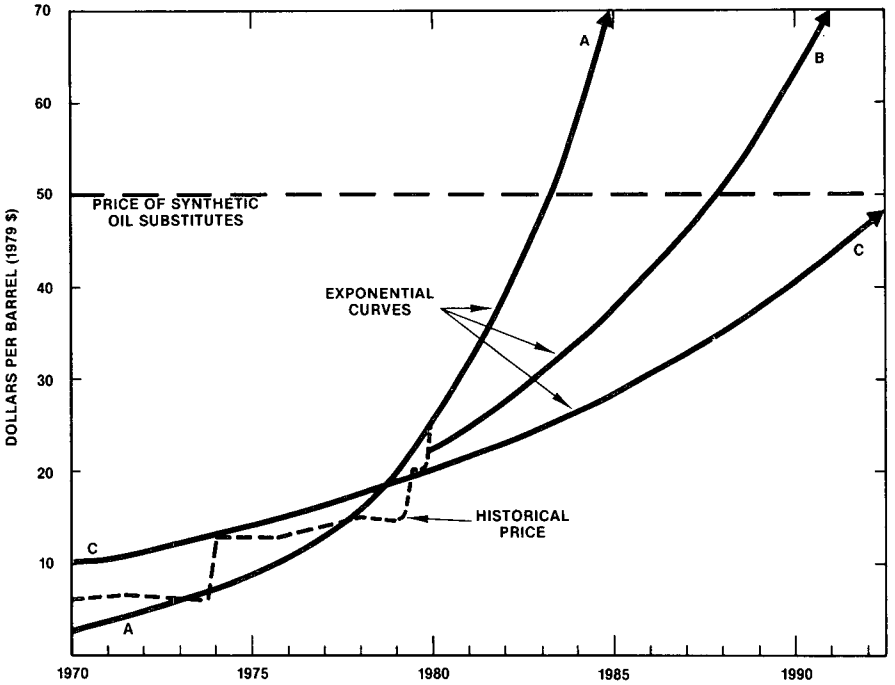
Unfortunately, however, Commoner does not think his scheme can be realized within the framework of a market economy, on the grounds that existing economic institutions are guided by private, rather than "social," profits. Just what social profits are, he never explains, but he does claim that it will be necessary to impose public control on the energy industry through a system of "social governance." Again, Commoner does not explain what social governance is, other than to suggest that it is related to "economic democracy."

For all its vagueness, Commoner's discussion of energy alternatives is by no means implausible on first hearing, and he is skillful at making it sound convincing to an unsophisticated audience. Frequently, he introduces it with a simplistic but amusing "short course in thermodynamics," in which he defines such concepts as work and energy in the manner of a good junior high school science teacher. It is all very elementary and unexceptionable, and it gives a pseudoscientific air of exactitude to what follows—the utterly fallacious proposition that energy costs rise "exponentially."

This, according to Commoner, is the one "absolutely essential idea" for understanding the energy crisis: as nonrenewable fuels are depleted, the cost of producing them will rise exponentially, forcing up energy prices accordingly. *Exponentially,* of course, is an impressive-sounding word coming from the mouth of a scientist. In contrast to all of Commoner's vague utterances, however, exponentiality is a precise, mathematically defined relationship whose implications can be easily tested.

Take, for instance, the recent trend in the price of oil. The law of exponential growth would require that oil prices continue to rise at the same rate, like compound interest, into the indefinite future. And since the average price of crude oil in the United States has risen some 250 percent over the past six years (adjusted for inflation), this would mean a projected average price of $75 per barrel of crude oil by 1986, $275 by 1992, and $1,000 by 1998 (see Curve A, above). The last figure is obviously absurd, but even the first is improbably high, since a vast supply of crude oil substitutes—alcohol, synthetic fuel from coal, shale oil, etc.—becomes economically competitive at prices of around $50 per barrel. Far from rising exponentially, the price of liquid fuels is likely to stabilize around this level, effective well through the next century.

HISTORICAL CRUDE OIL PRICES AND EXPONENTIAL PROJECTIONS



Curves A, B, and C are true exponential projections of oil prices at different growth rates. Note continuously accelerating slopes. Dotted line represents historical average refiners' cost of crude oil, domestic and foreign, adjusted for inflation (1979 dollars).

SOURCES: American Petroleum Institute; US Energy Information Administration

Where does Commoner's claim come from, then? He rests his case on analogies—for example, between pumping up oil and eating spaghetti. The idea is that, as one gets toward the bottom of the plate, spaghetti becomes "exponentially" more difficult to eat. Whether this is so, and what it says about the cost of oil, are left to the reader's imagination. Few petroleum geologists, however, subscribe to the spaghetti theory of oil. And the facts about oil are that production costs tend to level off, rather than increase exponentially, as new reservoirs are opened up.

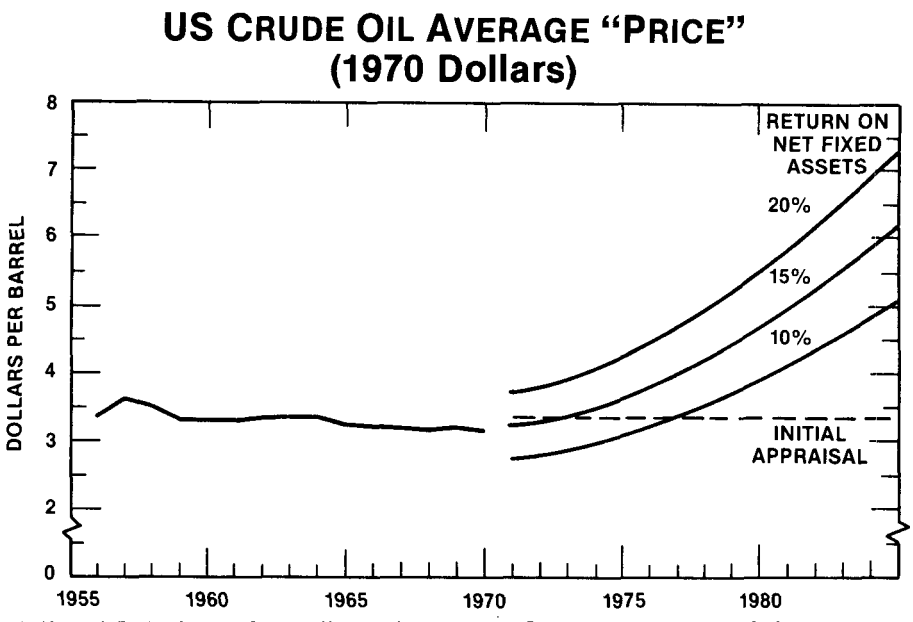
QUESTIONABLE CURVES

Commoner, of course, does not dwell on the evidence of recent energy prices. This evidence does not support his claim (see the figure on p. 39.) Once at the AAAS conference, however, while discussing another subject, he happened to display a slide on which the historical "price of energy" had been plotted as a curve, lurking alongside other data. Those who noticed it may have seen that the price had risen, not exponentially, but rather in a highly irregular manner that was, if anything, suggestive of a stock market chart. Commoner did not refer to this curve until he was ready to change the slide. "As you can see," he briefly observed, "the price rise is clearly exponential." Next slide.

At a later session, Commoner was finally questioned on the subject of exponentially rising prices by Prof. Georgescu-Roegen, a noted theorist on the economics of depletable resources. Commoner completely evaded the question, so I posed it again, pointing out all of the problems I saw. His reply consisted of two points.

First, he indignantly insisted that he was talking, not about the price of energy, but rather about its cost of production. In fact, however, he had repeatedly used the word "price" in his talks and had elsewhere confounded the two terms as if it were a matter of indifference.

Second, he referred to a graph of the domestic cost/price of crude oil that had been published as part of a National Petroleum Council study in 1972 (see figure above). The graph in question had nothing at all to do with



National Petroleum Council graph used by Commoner as proof that energy prices rise exponentially. The graph, published in 1972, does not plot actual prices but represents the NPC's projections of prices that would maintain various rates of return. But the curves also fail to rise at the accelerating rate characteristic of true exponential curves.

SOURCE: NPC, Committee on US Energy Outlook

real costs or prices: it represented the NPC's projections of what prices would be necessary if the industry were to maintain various specified rates of return on investment. The result was not one, but a series of curves, rising in a suspiciously ambiguous manner that Commoner was claiming to be exponential.

A later investigation confirmed what seemed likely to me at the time, namely, that Commoner was misrepresenting the NPC's results. As was confirmed to me by those who actually conducted the study, and is evident from an examination of its text, the NPC curves are in no way exponential. On this fraudulent thread of evidence, Commoner rested his case.

This fallacy, while not inconsequential, is just one of many in Commoner's logical house of cards. By arguing that the economy is doomed to be "cannibalized" by exponentially rising prices, Commoner instills a false sense of urgency for abandoning fossil fuels. He then proceeds to limit the discussion to entirely renewable energy systems. Only after he has finally settled on the design of his solar system does he discuss what transition fuels could get us there.

In the meantime, he has greatly simplified his argument by eliminating any examination of such complicating options as coal, shale oil, tar sands, petroleum, or uranium without the breeder reactor. (Commoner classifies the breeder—a nuclear reactor that produces more fissionable material than it consumes—as a renewable technology because the known reserves of uranium are sufficient to last some thousands of years with its use. Without it, however, exhaustion seems possible in a period of decades, and Commoner accordingly treats existing non-breeder nuclear reactor technology as nonrenewable.) Similarly, he is able to slough off any serious consideration of conservation. Claiming that it "misrepresents the fundamental cause of the energy crisis," he is willing to discourage conservation through price controls in order to keep energy prices low.

ARBITRARY DECISIONS

In his discussion of renewable energy technologies, Commoner manages to reduce everything to a choice between just two alternatives, the breeder reactor and his own solar plan. In order to achieve this, of course, he must rule out a host of other possibilities, most notably nuclear fusion (in which energy is

produced by uniting hydrogen atoms rather than splitting uranium atoms, as in the current *fission* technology). This he does on the summary grounds that its feasibility has not yet been conclusively demonstrated. "We must be certain of it now," he declares. "We can neither wait for the experiments to succeed nor take the risk of embarking, now, on a transition that depends on their future success."

Why must we decide such matters now? Commoner offers no explanation. Nor does he divulge why, at this particular moment in history, it makes sense to commit ourselves to an all-renewable energy system in the first place. This is perhaps the most crucial fallacy in Commoner's whole program. After all, we have been dependent on depleting fossil fuels for well over a century now. Would we be better off now had we embarked on an all-renewable energy system in, say, 1955, in the heyday of "Atoms for Peace"? If not, why should we do so today, especially if this means ruling out fusion, which is believed by many concerned scientists to carry great potential for energy production from a virtually limitless source—hydrogen.

Commoner is equally arbitrary in ruling out any form of solar energy that does not accord with his own design. In particular, he dismisses all "centralized" solar technologies, such as satellites and power stations, as "inherently uneconomical"—a view for which he again provides no supporting analysis. Ironically, this excludes ocean thermal energy conversion, a technology once touted as a kind of energy panacea by Ralph Nader, who is nonetheless reported to be a Citizens Party sympathizer.

Having finally reduced the universe of discourse to just two energy systems, his own and the breeder reactor, Commoner proceeds to force the choice in his direction:

> *Is it necessary to choose* between *the two routes? Can we not follow both of them, emphasizing the advantages and minimizing the hazards of each? Unfortunately, we cannot; the two routes are inherently, intractably, incompatible. The breeder-based system would require the creation of a huge electrical transmission network. . . . The cost of either system would be so great that the nation simply could not afford to build both of them. We can take one route or the other, not both.*

Of course, by the same argument, the *existing* electrical and gas transmission systems would have to be deemed "inherently, intractably, incompatible." In fact, they are complementary. Commoner has it all backwards; a mixture of energy technologies is virtually certain to be more efficient than a single one alone. In the same way, where it may be prohibitively expensive to build everything out of wood, *or* out of steel, it may be relatively cheap to build some things of wood and others of steel and some things of both.

Surprisingly, Commoner does not cover any new ground in discussing the relative merits of nuclear and solar power. Instead, he recites all the familiar objections to nuclear energy, as if these spoke for themselves, omitting any reference to equally well known counterarguments. He makes no attempt to put facts into context but plays to his audience's emotions, reciting, for example, the story of a woman who, following her exposure during the Three Mile Island incident, gets physically sick at the thought of radiation, and comparing TMI, jokingly, to a "relatively small nuclear bomb going off on campus."

Few petroleum geologists subscribe to Commoner's spaghetti theory of oil.

Sharing the platform with Commoner on one of the AAAS panels, the well-known nuclear advocate Dr. Petr Beckmann noted that the radiation to which the public was exposed at TMI was comparable to what one might receive in traveling to Denver (where natural cosmic radiation is higher because of the altitude). Since Commoner did not dispute this point, one member of the audience rose to ask him whether, as a scientist, he feels any responsibility to inform the public of such facts in order to help people to evaluate the risks of nuclear energy more intelligently. No, Commoner replied with a shrug; he sees no reason to interfere with public opinion in such matters.

With all other alternatives handily disposed of, Commoner is left touting his own unique plan for a nationwide, decentralized, all-solar energy system. This turns out to involve (1) deriving alcohol from crops and methane from biomass conversion, (2) construction of a nationwide methane/hydrogen gas pipeline network, largely replacing the existing electrical grid, (3) decentralized electrical generation from photovoltaic cells, and (4) extensive use of solar heating and cooling, plus other miscellaneous solar technologies.

EMBARRASING

How are we to evaluate the economics of this ambitious scheme? Commoner fails to produce any estimate for its overall cost in capital, labor, or raw materials. While he estimates that the area required for solar energy collectors would be on the order of half that now devoted to roads, he glosses over the fact that his plan would require a 15 percent expansion in land under cultivation. He suggests that the cost of his gas system compares favorably to the cost of electricity but neglects the fact that there is an electrical grid already in place. He also assumes a substantial net energy contribution from gasohol, which many experts would dispute.

Most embarrassing of all, when Commoner finally gets around to considering what fossil fuel would be acceptable as a "bridging fuel" to make the solar transition, the answer turns out to be natural gas. Despite the fact that US natural gas production has been declining in recent years, Commoner's projected gas network turns out to demand, during the 50-year transition period, natural-gas production at an *average* rate nearly 25 percent higher than presently. This in turn demands somewhat more natural gas resources than are currently thought to exist in the United States. Undaunted by his previous taboo against technologically chancy approaches, Commoner manages to conclude that his transitional system would "in theory" produce enough energy, though "a practical answer is more difficult."

Given such technical flaws, there are few, if any, energy analysts who

take Commoner's program seriously. One solar energy advocate minces no words: "Commoner's program is full of biomass," jokes Holdren. On the pro-nuclear side, contempt for Commoner runs so high that few will even bother to try to refute him. One who did is Samuel McCracken, whose critique in *Commentary* magazine in October 1979 is enlightening.

Especially amusing is McCracken's analysis of a proposal by Commoner to turn on the nation's streetlights via photovoltaic cells. An obvious drawback of this scheme is that all such generation of electricity must occur by day and so requires some kind of storage for night use. In addition, it turns out that, on the basis of his own performance estimates, Commoner has underestimated the required collector area by a factor of 10 and that 1,000 square feet of solar panels are required for every streetlight. Accepting Commoner's own optimistic cost estimates for solar cells, McCracken plausibly estimates the total cost of the proposed nationwide streetlight system to be on the order of $2 trillion. Asked about this, Commoner's only reply is that McCracken's numbers are "back-of-the-envelope calculations"—as if he had done even that much.

Commoner is remarkable in his enthusiasm for photovoltaic electricity. He regularly cites the 1976 federal Task Force on Solar Energy Commercialization, whose projections show the cost of photovoltaic electricity declining tenfold in just three years, given mass production of solar cells. Numbers like this are of course highly speculative and in this case reflect the hypothetical assumption that technological improvements in solar cells will follow the same "learning curve" as electronic semiconductors.

Although most authorities regard the Task Force estimates to be highly optimistic, Commoner refers to them as if they were virtually established fact, going so far as to argue before the AAAS that a guaranteed federal purchase program could give us photovoltaic cells tomorrow "at the stroke of an administrative pen." When I questioned his assurance in this regard, Commoner took umbrage, claiming that these were truly "scientific numbers," the work of the Federal Energy Administration, and that such data were not to be questioned at a scientific conference.

ELITISM BY ANY NAME...

As it happens, Barry Commoner is a personable man and may even be sincere, but there were times at the AAAS conference when it semed hard to credit the sincerity of his politics. Rather, he seemed to play the part of the demagogue, accusing dissenters of various deceits and making it sound as if they are to blame for all of our energy problems. He variously insinuated that the oil companies had held their prices not only too high but also too low and proceeded to blame them for OPEC's own 1973 price hike. The latter accusation turned out to depend on nothing more than the 1972 NPC price study, mentioned above—the notion being that the OPEC leaders got wind of the fact, through the NPC study, that the oil industry was forecasting higher prices, and this put the idea in their heads.

Isn't there enough room within our borders for different people to enjoy different energy sources?

There is a certain political bigotry here, reflecting the vulgar Marxist position that private corporations are by definition bad and constitutionally incapable of acting in the true social interest. Scientist-politicians are, of course, another matter. Not only can they discern what the true social interest is; they can even prescribe entire energy systems for their grandchildren.

This technocratic presumption echoes the work of Thorstein Veblen, another scientifically inclined socialist who pioneered the American technocracy movement some 60 years ago. Veblen, like Commoner, mistrusted business and thought that everything could be run more efficiently by scientists and engineers. It is Veblen who wrote, in a classic moment of excess: "The situation is ready for a self-selected, but inclusive, Soviet of technicians to take over the economic affairs of the country and to allow and disallow what they might agree on."

Today, these words would no doubt be denounced as "elitist" by fashionable leftists. Instead, we read in the Citizens Party manifesto a call for "putting the vast corporations which control our economy under *our* control" (italics in the original). But who are "we," other than the rather elite and well-educated minority who constitute Dr. Commoner's following and who insist that nothing but solar energy can be in *our* interest?

What about the rest of us, who may have doubts about the solar option, who have different opinions of the costs and risks, or who have a legitimate interest in some other form of energy? "Society as a whole must be involved," writes Commoner, "for the solar transition is a great historic passage which only the people of the United States can decide to undertake." But why the United States, and not Canada or Cuba? On the contrary, isn't there enough room within our borders for different people to enjoy different energy sources? Shouldn't we have the right to a choice of energy lifestyles?

Commoner has little to say on this, other than to note:

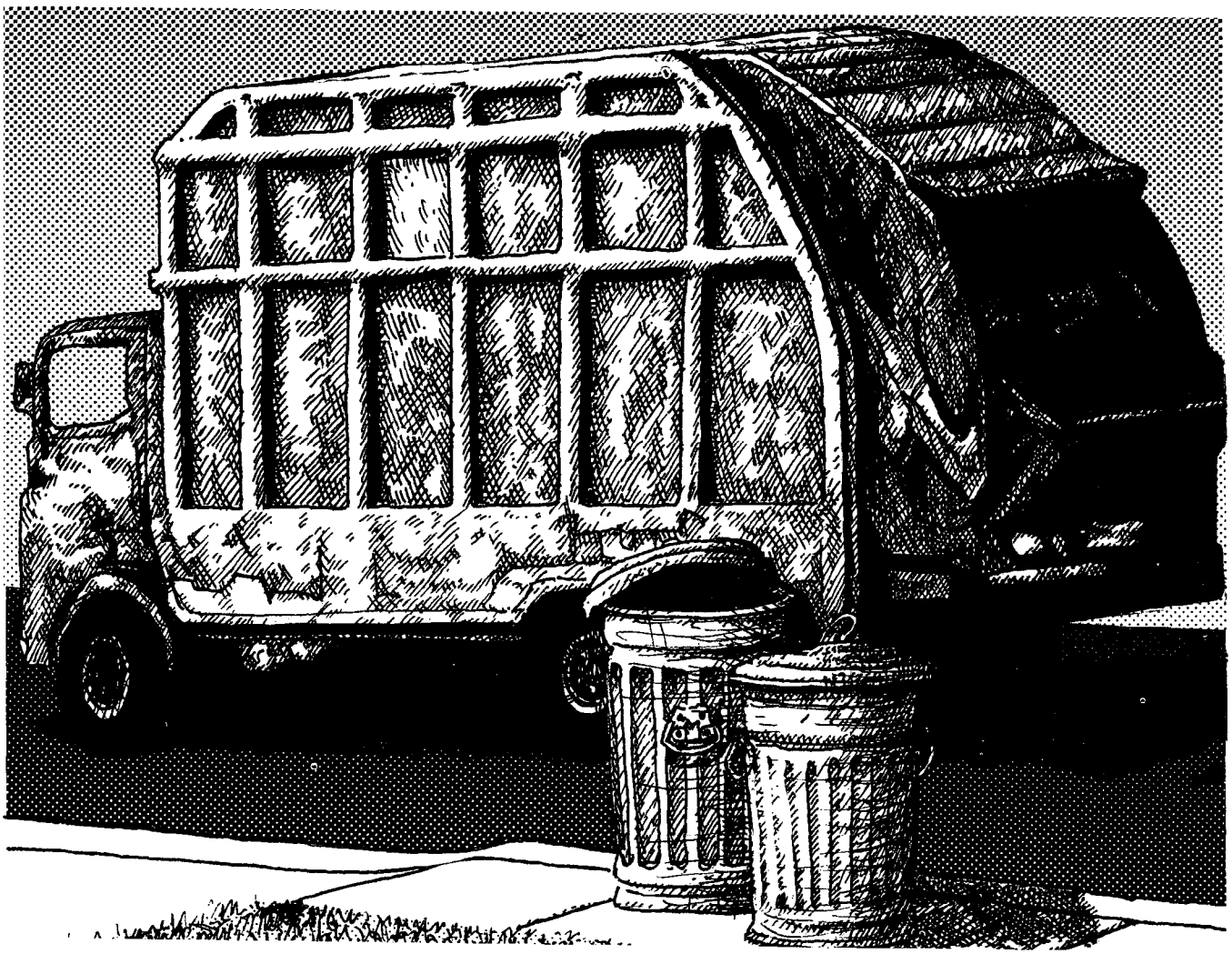
> *It will also be argued that "social governance" would necessarily impose political constraints that would erode civil liberties and weaken democratic government. This is a serious problem, but the country does, after all, seem to have the wisdom and strength to protect our liberties from erosion or assault. In only the last two decades we have thrown back Senator McCarthy's assault on civil liberties and Mr. Nixon's powerful attempt to subvert the democratic governance of the nation.*

It is remarkable indeed, when a minor-party politician offers us the prospect of major-party corruption. It is a shame that Dr. Commoner did not have the wisdom and strength to address this problem more seriously before he embarked on his grandiose energy program. Had he done so, he might have been worth listening to. ☐

Dale Gieringer is a doctoral candidate in the Department of Engineering-Economic Systems at Stanford University. He is doing his thesis on FDA drug regulations.

DUMPING

THE GARBAGE MONOPOLY



"You can't have free competition in trash collection," they say. But the people of Wichita decided to give it a try.

BY KARL PETERJOHN

Illustration by Rick Seward

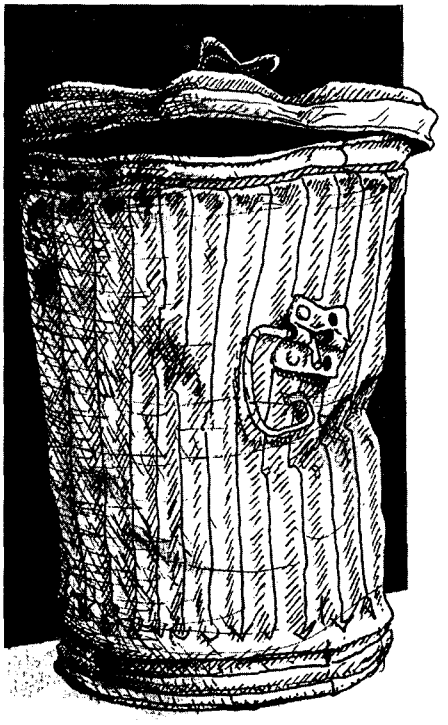
DEREGULATION of the airlines by the Civil Aeronautics Board has produced many consequences. Perhaps the most unexpected has been the privatization of garbage collection in Wichita, Kansas.

When the CAB began opening the airline market to competition in 1977, among the immediate results was a sharp rise in demand for small and medium-size aircraft. On the one hand, expanding regional and commuter airlines could see the need for new Boeing 737s, Beech 99s, and similar craft. At the same time, cuts in airline service on money-losing routes to small towns prompted many corporations to order more Gates Learjets, Cessna Citations, and other small planes. With Boeing, Beech, Cessna, and Gates Learjet all having large plants in Wichita, by mid-1978 all four were experiencing a major boom.

Unemployment in Wichita dropped to an unheard-of 2.5 percent. Relatively low-skilled, low-paid people such as garbage collectors took new, better-paying jobs in the aircraft plants. And that, in turn, left the municipal garbage service in a bind. By the summer of 1978—the second hottest summer on record in Wichita—the city's garbage pick-ups had fallen more than a month behind because of the shortage of workers. Garbage at the 22,000 homes served by the city piled up higher and higher; as temperatures rose, so did the smell, and so did the tempers of city residents.

Fortunately for those residents, the city government was not the only supplier of garbage service. In the city and surrounding Sedgewick County, about 80 firms were in the garbage business, some serving only commercial and industrial customers but many providing residential service. Only 30 percent of the city's households had contracts with the city. As the garbage piled up, these people began turning to the private haulers. "My garbage hasn't been picked up for the whole month of August," Theda Reeves told reporters. "As soon as our contract [with the city] runs out, we're going to a private service."

City officials, meanwhile, were barraged with complaints. With only three telephone lines at the sanitation department, most callers received nothing but busy signals, only adding to their anger. Limited telephone capacity was symbolic of the sanitation department's general equipment problems. The city had deferred maintenance on its garbage trucks, so even on routes where there were enough workers, equipment kept breaking down, further hampering service.



"Now there's no protection for the little guy, and there's no protection for the consumer," claimed the city manager.

THE MONOPOLISTS' OPENING

Part of the city's problem was financial. The garbage service—charging $5.00 a month for residential, curbside pickup—was losing money. Yet more tax money to subsidize it was out of the question: three separate measures to increase local sales taxes had been placed before the voters in 1978, and all three had been defeated. City officials hardly dared talk about raising the garbage rates for service that wasn't even being provided. It was clear that something else would have to be done to solve the problem.

As the crisis deepened, City Manager Gene Denton met with representatives of the 12 largest private trash haulers. Like would-be monopolists everywhere, these firms had long resented the proliferation of small, independent companies in the garbage collection business and the competitive threat they represented. Their solution to this "chaotic" situation was a system of exclusive franchises, with each large firm guaranteed a monopoly in a given area, and the small "fly-by-night" firms frozen out altogether. The large firms' trade organization—the Wichita Independent Refuse Haulers Association—seized upon the breakdown of municipal service as a way of realizing their long-sought goal.

On August 9 City Manager Denton announced the results of his negotiations with the Refuse Haulers Association. They had come up with a program to solve the crisis:

- The city would be divided into garbage service districts, with a single firm franchised exclusively in each.
- Municipal service would be restricted to a small number of districts, with its customer base shrunk from 22,000 to 10,000.
- "Free" garbage service (that is, taxpayer-supported) would be restored for the poor. (A program to do this had ended in May when its federal grant expired.)
- The city government would send and collect all garbage bills in the city, mailing them along with water bills. Receipts would be turned over to a new entity, to be called Wichita Refuse Incorporated (WRI), to be formed by the Haulers Association to distribute the revenues to its franchised members.
- All haulers with fewer than 300 customers would be forced out of business.

Several nights later the Haulers Association held a by-invitation-only meeting for all garbage collection firms in the area. All but one or two of the 80 firms were represented. The gist of the meeting was that the existing members of the association were *going* to form WRI and that Denton's plan was *going* to be adopted. The nonmember firms were told that they had better go along or be left out in the cold when the districts were created.

That carrot-and-stick proposition met with a decidedly mixed reaction

from the smaller, nonmember, garbage firms. While some owners feared being frozen out and were attracted by the idea of freedom from competition, many others valued their independence and wanted no part of a bureaucratic system. Many of the smaller haulers owned only one or two trucks and served a relatively small number of customers (though most did have more than 300). Most of the small operators are black, and trash haulers are among the leading small businessmen in Wichita's black community.

In contrast to this array of small entrepreneurs were the large firms, typified by Browning-Ferris Industries. BFI is the nation's largest garbage collection firm, with operations in cities and counties across the country. During the past decade it has bought up more than 100 local firms, including that of Wichita businessman Jay Bond. When BFI acquired his firm (which was serving only commercial and industrial customers), it retained Bond as local manager. Although a modern and efficient firm, BFI is used to operating in exclusive-franchise situations, and Bond actively worked toward that end in Wichita. By the summer of 1978 he was president of the Refuse Haulers Association and the leading advocate of the city manager's districting plan.

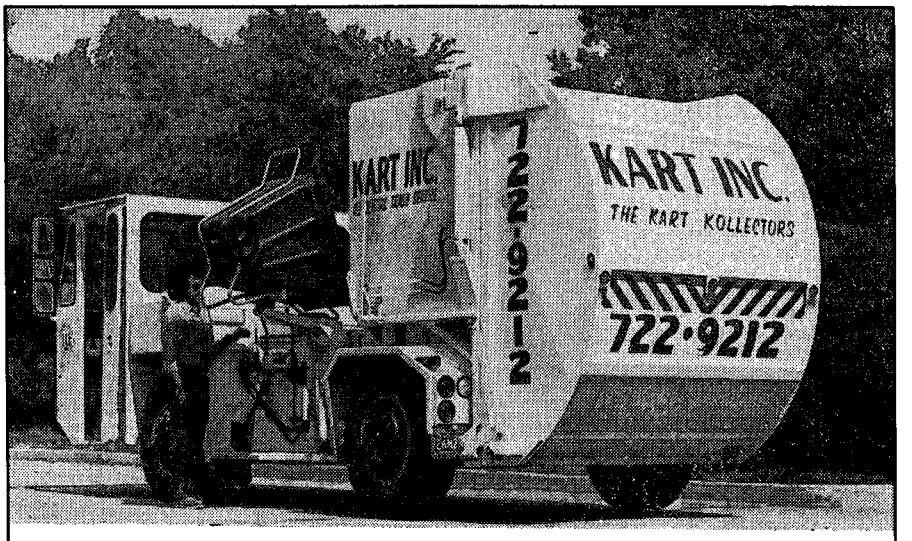
Bond's counterpart among the small firms was Willard Garvey, the owner of an apartment complex and operator of his own trash trucks. Well-known in Wichita as an advocate of cuts in taxes and government spending, Garvey set to work with two of his employees, Bud Leu and Leslie Rawlings, to mobilize the mostly black small operators.

Their opening shot was a one-page flier headlined, "Who's Coming into Your Back Yard?" Using free-market arguments, it pointed out that the districting plan would abolish the customer's right to choose his own garbage collector and that it was contrary to free-enterprise principles. The flier closed by asking citizens to contact city hall to oppose the plan, urging the city to hold a public hearing on it, and reasserting the right of everyone to freedom of choice in garbage service.

The response from the public was overwhelmingly in favor of the small firms, at least as measured by letters to the editor of the local newspaper. Only one letter—from a member of the Haulers Association—defended the districting plan, claiming that it would protect customers by requiring all garbage haulers to be bonded—an untrue assertion. Bowing to public pressure, the five-member city commission agreed to hold a public hearing on September 26.

STRATEGY CONFLICTS

In their meetings prior to the public hearing, opponents of the districting plan tried to work out a coherent strategy. It was soon apparent that the small haulers were divided into two camps. Free-market advocates wanted the city out of the garbage business altogether, while the moderates simply wanted to defeat the districting plan. Members of the former group argued that, as long as the city was in the garbage business, the situation would be unstable and the threat of the districting plan might be resurrected at any time. They urged consistent opposition to government intervention and pointed



CITY TRASH CUSTOMERS

WE GOT TOGETHER TO DO SOMETHING ABOUT YOUR TRASH PROBLEMS!

THE SYSTEM

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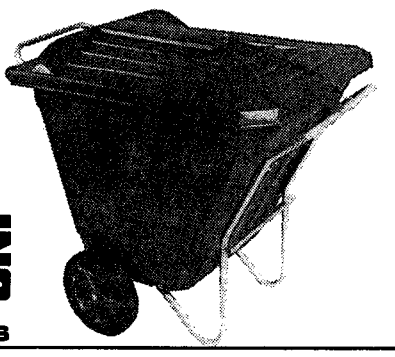

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This ad appeared in the Wichita paper on October 8, 1978.

out that removing the city from the business would add customers for the private firms.

This popular argument was countered by Bud Leu, one of the leading moderates. Based on a conversation he had had with an official from the city health department, Leu had become convinced that Kansas law did not permit the city to get out of the garbage collection business altogether. Although Leu could not cite a specific statute, he told the group that state law required the city to be responsible for solid waste collection. Consequently, he maintained, efforts to abolish municipal garbage collection were pointless.

Leu's argument did not convince the free-market advocates, and the impasse between the two factions went unresolved. The only consensus was to try to get as many opponents of districting as possible to turn out for the public hearing.

In that aim, they proved successful. Despite the fact that the hearing was held on a weekday, and during working hours, several hundred people showed up. City Manager Denton outlined the plan and its justification and mechanics to the city commissioners. The only alternatives to districting, said Denton, were to raise the rates for municipal collection (politically unpopular) or to get out of the garbage collection business altogether—which Denton opposed.

Also supporting the districting plan was a spokesman for the city health department. Despite a law requiring everyone to have at least once-a-week garbage pickup, the spokesman claimed that 5,000 Wichita households did not have any form of garbage service. Asked where these people lived, or where the figures came from, the official conceded he did not know—someone else had made the estimate. (Actually, there *were* more than 5,000 households without service at the time of the hearing, though not from disobeying the law. They were the erstwhile customers of the city garbage service.)

FREE-MARKET OPENING

Because state law requires each city to have an approved solid waste management plan, an official from the Kansas Department of Health and Environment attended the hearing. Under close questioning from two city commissioners, he acknowledged that there are, indeed, Kansas communities in which the city leaves garbage collection to the private sector but which still manage to have their plans approved by the state. What

COUNTERING THE SPECIAL PLEADERS

The standard arguments raised in support of city involvement in garbage collection were much bandied about in Wichita. What actually *happened* shows how lame those arguments are.

1. "An area plan would be more fuel-efficient and reduce air pollution because you wouldn't have several trucks working the same street."

This seems obvious but actually has only minor relevance. All of Wichita's haulers work only in particular areas and do not even seek customers outside certain sections of town. If a firm is contacted by a potential customer from outside its area, often the firm will refer him to a hauler who works that area. This is done mutually. When city customers shifted to private haulers, they often sought references from neighbors who already had private service. As a result of these factors, in many areas a single firm serves most of the residents in a block.

Some customers have been exchanged. Just as new firms buy out established firms and their routes, at least four firms are exchanging customers to consolidate their routes. If the customer is unhappy with the exchange, he may find another hauler, but few have. So there may be over 80 trash firms in Wichita, but only two or three are collecting on a particular street.

2. "The big guys would succeed in forcing the small operator out of business."

This has not happened in Wichita. The small haulers flourished as the city left the business. The national firm, BFI, has been unable to penetrate the residential market. Of course, this could change in the future, but the small haulers have succeeded so far by offering good service.

3. "Government regulation is needed to protect the consumer."

Rubbish! The efforts by the city at all the levels of the bureaucracy in fact had a *negative* impact on customers. City officials, excluding the elected city commissioners, were more interested in their personal, bureaucratic fiefdoms than in protecting consumers. The elected commissioners acted as they did because they were under substantial public pressure.

4. "Some people won't hire anyone to pick up their trash."

Actually, this wouldn't be a problem if people were allowed to take their own garbage to the dump, but the city allows dumping only by licensed haulers. A few irresponsible people have dumped their trash on city property, but the small amount of trash there is tiny compared to the amount the city allowed to pile up in 1978. Those caught are prosecuted. The city does have a law requiring everyone to have weekly trash pickups. Ironically, a health department official has said this law is "unenforceable."

5. "The transition from city to private service will be chaotic."

Actually, the transition was only difficult. Many of the new customers acquired by private haulers had six to eight weeks' worth of garbage to be removed because of the breakdown of city service. This was a difficulty, however, for the private haulers, not for the ex-customers of the city, who had suffered the most from the lack of service.

6. "The city is needed to provide an efficient operation."

The city couldn't achieve such efficiency while it was in the business, nor could it achieve this by regulating the business. *Firms* are effecting efficiency by trying out different types of equipment and systems for collecting trash. Customers are contributing to the process by selecting the type of service they prefer.

In the hot summer of 1978, the residents of Wichita lived through the chaos of municipal garbage service. They saw through all the arguments for continuing and "improving" a monopolistic approach, instead opting for the smooth functioning of the free market.

Bud Leu had been told was incorrect.

Once that cat was out of the bag, the free-market advocates—both haulers and customers—took over, blasting the districting plan. Mayor Connie Peters acknowledged that she had received over 2,500 letters as well as numerous phone calls opposing the plan—but none in favor. Districting, in short, was dead.

The commissioners voted, instead, to get the city out of the garbage collection business, no later than March 1, 1979. The only element of Denton's plan that remained was the provision of "free" service for the poor. Although no complaints had been received in the four months since this service had been suspended, the commissioners were unwilling to trust the marketplace in this one area. They voted to increase the landfill (dump) fees charged to haulers in order to provide no-charge service to up to 700 low-income households.

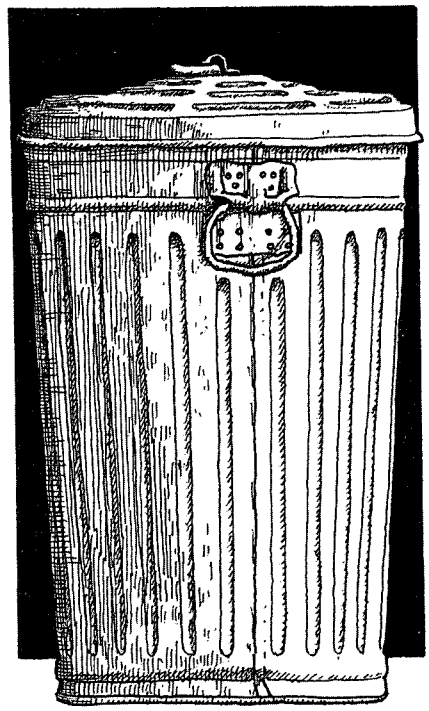
Despite this variance from complete laissez-faire, the small haulers were jubilant at their victory. Not so the large firms. Threats were made that large, out-of-state firms would come into Wichita, cut rates, take over customers, and force the small haulers out of business. Even the specter of the Mafia was invoked.

City Manager Denton was miffed, as well. Calling the districting plan "the best thing since margarine," he predicted that the small firms would soon regret defeating it. "It was the only thing that could have saved the small companies, and the irony of it was that they were the ones who fought it," he said. "Now there's no protection for the little guy, and there's no protection for the consumer." BFI's Bond echoed these sentiments, "It'll be interesting to see five years from now just how the small haulers feel about the district plan then."

GARBAGE REALITIES

By the time the city left the garbage business in December, many of its former customers had already switched to a private firm. Although city records indicated that it still had 18,000 customers remaining, when its routes were auctioned off, there turned out to be fewer than 8,000. The city's equipment was also auctioned off to the private firms.

It took several months for the companies to work through the mountains of trash left uncollected from the summer and fall, a problem made worse by one of the coldest winters in Wichita's history. But all things considered, the demunicipalization went remarkably smoothly.



Small, family-operated businesses have survived and prospered in the free-market environment they fought for.

What happened to prices? Some went up, some went down, and some stayed the same. To attract new business, some firms cut the price for regular curbside pickup from $5.00 to $4.00 a month. Others offered the extra convenience of backyard pickup for $6.00. Some offered their customers "free" trash containers, to standardize and identify their pickups. By the end of 1979, as fuel prices virtually doubled over the course of the year, the backyard rate climbed to $7.00.

But increased competition seems likely to hold down the prices and prevent the sort of price escalation that occurred in the '70s, when the city set the pace. The (subsidized) rate was as low as $2.83 per month until May 1974, when it was raised to $3.50. In 1976 it went up to $4.00, and in 1977 to $5.00. Even at that price, city taxpayers were still kicking in $100,000 a year to cover the city's deficit on the service.

After nearly two years of free-market competition, the threatened outside takeovers and rate wars have failed to materialize. People have free choice of firms, but wasteful duplication of service is minimized by the economics of the situation. There are seldom more than two or three firms doing business in any neighborhood (see box). The largest hauler, Ernie Childers, has over 12,000 customers; his firm does business in about 40 percent of the city. But small, family-operated businesses have survived and prospered in the free-market environment they fought for.

About the only fly in the ointment is the Indigent Sanitation Program for the poor. Sponsored by the city's Community Action Agency, it has grown from 589 to nearly 800 households since its inception last year. Since the current budget will support only 700 households, a further increase in dump fees or taxes may soon be called for. And since anyone with a household income of less than 80 percent of the median is eligible for the program, the potential for further growth is quite real. (Each qualifying recipient selects his own hauler; CAA pays the bills, which range from $4.00 to $7.00 a month.)

So garbage remains something of a political issue in Wichita, even today. There is some talk in city hall about an ordinance requiring garbage pickups on a particular day for curbside service, so that the cans would be out on the sidewalk only on that day. Potentially more serious, a candidate for city commissioner in 1979 attempted to make a campaign issue out of the increase in some garbage rates. She lost...badly.

Wichita thus seems to be coping quite nicely with its nearly free market in garbage collection. Its experience provides a vivid counter-example to the claims of those, like the large company representatives, who argue that open competition is chaotic and wasteful. Freedom of choice is not only the right way to go—it *works,* too. ◻

Karl Peterjohn has a master's degree in economics. He has worked as a newspaper reporter and is currently employed as a corporate economist.

The Dirty Little Secret Behind Our Drug Laws

DOWN THROUGH THE AGES with frightening regularity, societies have struck out against what is foreign and unknown. Today in America, people do not understand illicit drugs and their users. Unaware of the background of illicit drug usage and cowed by arguments about its dangers, they assent to government regulations that in other areas of people's lives they regard as odious and worthy of opposition. Is there anything about drugs that in fact merits such an exception?

One of the least understood aspects of this problem is its history. Few people realize that, during most of America's history, any and all drugs were freely available. Still fewer people realize that none of the arguments currently advanced in support of drug laws played more than a minor role in initiating prohibition. Prohibition was almost solely the result of antipathy directed towards

BY
MICHAEL C.
MONSON

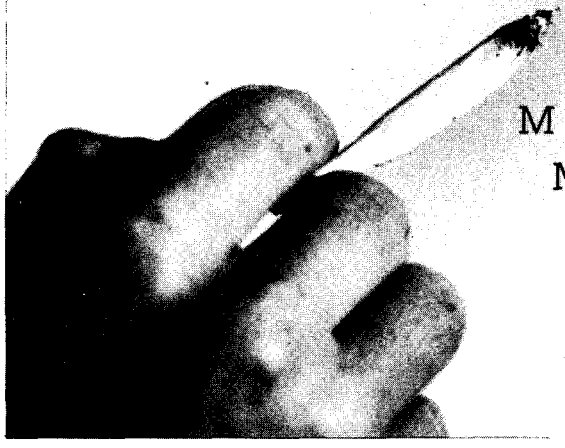


Illustration by Mihosh Dziadzio

specific groups—minorities—associated with drug use.

The Chinese were perhaps the first racial minority attacked in this manner. In 1854, in a case before the California Supreme Court, the court found as a fact that the Chinese are "a race of people whom nature has marked as inferior, and who are incapable of progress or intellectual development." The immediate result of the case was to exclude from the courts of California the testimony of Chinese against whites, but the broader consequence was to open the floodgates to discrimination and oppression against the Chinese on a monumental scale.

The popular press excoriated the Chinese, who became the scapegoat for every evil. In 1873 the Democratic Party declared at its California convention

> *that we regard the presence of the Chinese in our midst as an unmixed evil, ruinous alike to the people and the state, while the prospect of an increase of their numbers is appalling to the hearts of all; and we demand that the incoming legislature, through its own enactments and its urgent appeals to congress, take steps not merely to prevent the further influx of the mongolian horde upon us, but to secure the speedy exodus of those already here.*

Quite in line with these sentiments—for it was common knowledge that all Chinese smoked opium—the first two laws prohibiting opium smoking were passed in San Francisco and Virginia City, Nevada, in 1875 and 1876. The racial motivation of these laws was highlighted when in 1887 Congress prohibited the importation of opium by Chinese but not by Americans. Three years later Congress prohibited the manufacture of smokable opium by all but American citizens (Chinese were not permitted to become citizens).

Similar racial antipathy surfaced in a linking of blacks and cocaine. A "Report on the International Opium Commission and on the Opium Problem as Seen within the United States and Its Possessions," sent to Congress in 1910 with a message from President Taft requesting appropriate legislation, included the observation: "It has been authoritatively stated that cocaine is often the direct incentive to the crime of rape by the negroes of the South and other sections of the country."

As David F. Musto, M.D., explains in *The American Disease:*

> *The most passionate support for legal prohibition of narcotics has been associated with fear of a given drug's effect on a specific minority. Certain drugs were dreaded because they seemed to undermine essential social restrictions which kept these groups under control: cocaine was supposed to enable blacks to withstand bullets which would kill normal persons and to stimulate sexual assault. Fear that smoking opium facilitated sexual contact between Chinese and white Americans was also a factor in its total prohibition. Chicanos in the Southwest were believed to be incited to violence by smoking marijuana. Heroin was linked in the 1920s with a turbulent age group: adolescents in reckless and promiscuous urban gangs. Alcohol was associated with immigrants crowding into large and corrupt cities. In each instance, use of a particular drug was attributed to an identifiable and threatening minority group.*

As a result of this fear, Congress never publicly debated *whether* to control narcotics but only *how*. The Harrison Act implementing narcotic prohibition was passed in a few minutes in December 1914.

PROHIBITION

The Harrison Act was designed to prohibit the use of narcotics except for medical purposes. A doctor was permitted to prescribe them "in the course of his professional practice only." Although it is likely that few legislators intended to prohibit the dispensing of narcotics to addicts merely to maintain and not to cure them, doctors were soon being arrested for such activity. In March 1919 the United States Supreme Court, by a 5-4 decision, held the Harrison Act to be constitutional and the maintenance of addicts to be illegitimate. Indeed, the majority considered maintenance such an obviously immoral notion that "no discussion of the subject is required."

Realizing that the sudden removal of formerly legitimate sources of narcotics was to court disaster, many local officials attempted to find temporary sources of supply until addicts could be medically "cured" in clinics planned for the purpose. Few clinics were established, however, before being forced to close by the federal government.

Perhaps the most famous clinic operated in Shreveport, Louisiana, from 1919 until shut down by the government in 1923. It had the complete support of local officials, and within six months of its closure the *Shreveport Journal* reported that narcotics were readily available on the street, whereas prior to the closure illicit traffic was practically unknown.

Just as with the national prohibition of liquor, or the attempted prohibition of cigarettes by 14 states, the prohibition of narcotics was failing. The knee-jerk response was to call for tougher laws. In 1924 the importation of heroin was forbidden. The act had dramatic effects. Within weeks of the act's passage, morphine—both less expensive and more readily obtainable—almost disappeared from the black market, replaced by the more lucrative and now better publicized heroin. If tougher laws were not the answer, then surely tougher enforcement was: by 1928, almost one-third of all prisoners in federal penitentiaries were serving sentences for Harrison Act violations.

"KILLER WEED"

The evolution of the laws prohibiting marijuana followed a similar course. Marijuana was brought to America in 1611 by the Jamestown settlers, who cultivated it for its fiber. It remained a major crop until after the Civil War, and throughout the 19th and early 20th centuries it was widely available as a medicinal and intoxicating agent. And the steps leading to its prohibition had by now become standard.

First, the use of marijuana was linked with a minority—Hispanic-Americans. Reported the National Commission on Marihuana and Drug Abuse, in a retrospective study released in 1972:

> *Whether motivated by outright ethnic prejudice or by simple discriminatory disinterest, the proceedings before state legislatures*

[after 1915] *resembled those in Texas in 1923. There was little, if any, public attention and no debate. Pointed references were made to the drug's Mexican origins and sometimes to the criminal conduct which invariably followed when Mexicans ingested the killer weed.*

Second, a series of gruesome crimes allegedly committed by marijuana smokers was widely publicized. As demonstrated by Edward M. Brecher and the editors of *Consumer Reports* in the seminal work *Licit and Illicit Drugs,* some, if not all, of the stories were patent fabrications.

By 1937, 46 states had laws against marijuana, and in that same year the federal prohibition of marijuana was implemented, despite the opposition of the American Medical Association. Again, the response to the failure of prohibition was tougher enforcement. Anti-marijuana propaganda and penalties escalated until in several states the penalties for a first-offense sale of marijuana could be life imprisonment. In Louisiana and Missouri, if the buyer were a minor the death sentence could be imposed.

These draconian penalties were no more effective against marijuana than similar penalties invoked against the ever-widening panoply of other prohibited drugs. In 1959 the federal government tried a new tactic, initiating a program, which has continued to this day, to prevent citizens of other countries from growing crops to supply the illicit market. But this program has had its side-effects. Restriction of the production of opium, for example, has been detrimental not to the illicit market but rather to the legitimate medical market. By 1972 the Japanese and others were complaining in the United Nations of their inability to procure their medical requirements.

NOBLE EDICTS

With drug usage pandemic, no one today seriously contends that our drug laws are successful. New and better laws are often thought to be the answer, but the experiences of other cultures in prohibiting the use of drugs casts grave doubts upon such an approach.

Prohibition has been attempted by mankind for thousands of years, but it was not until 1604 that James I of England made what was perhaps the first well-documented attempt at it. In that year he imposed an exorbitant tax on a drug so that only the very rich—the nobility—could afford it. The drug was nicotine, as contained in tobacco, and the tax worked admirably to lower imports. Smuggling of the substance, on the other hand, proliferated. It took James I only four years to realize his error, and in 1608 he drastically cut the tax so as to make importing less expensive than smuggling.

During the 17th century, total prohibition seemed the simplest course in other parts of the old world. Prohibition of tobacco was decreed in the Ottoman Empire, the Persian Empire, India, Russia, Bavaria, Saxony, and Zurich. When the severe penalty of bodily mutilation failed to stem the smuggling, the death penalty was decreed. The result in every country was the same. Prohibition was a complete failure, and its imposition was eventually reversed.

About the same time as tobacco appeared in Europe, the drug caffeine was introduced in the form of coffee.

With drug use pandemic, no one today seriously contends that our drug laws are successful.

Coffee came from the Middle East, where its appearance prompted Cairo and Mecca to prohibit its sale. Like tobacco before it, coffee was virulently attacked when authorities discovered it was being taken for pleasure, and many European rulers banned its distribution or consumption. Invariably the bans proved ineffective and were dropped.

In 1729 England attempted to curb the sale of gin. The effort was quickly deemed a failure and the law withdrawn. But soon members of the nobility were again clamoring for prohibition via an exorbitant tax—prohibition, that is, for the poor. The supporters of the bill indicated that the entire justification for the bill was to keep gin from "persons of inferior rank." The law was passed in 1736 and was almost universally held in contempt, as it was common knowledge that the ruling class did not consider the law applicable to them. The greater the efforts to enforce it, the more antagonistic the public became. In 1743 the prohibition of gin in England was terminated.

Also in 1729, the emperor of China issued the first decree attempting to limit the importation and consumption of opium. Penalties were progressively intensified until, in 1850, in response to the continually deteriorating situation, a new imperial edict announced that anyone caught possessing opium would be beheaded and his family enslaved. Seven years later the Chinese abandoned prohibition at the behest of the Western powers, who did not want their lucrative opium trade interrupted.

ANTISOCIAL DRUGS?

The history of prohibition provides strong evidence that its implementation is impossible and the motives for its implementation sullied, but that same history includes a whole set of arguments supporting drug laws. Even if people realized that these laws were put in place by our racially illiberal predecessors and were never effectively implemented, these arguments appear to make a sound case for trying new versions of drug prohibition.

Probably the argument most often advanced is that drug usage is harmful to society. It socially and physically disables individuals, making permanent parasites or, worse, criminals of them.

This fear derives in part from well-publicized stories of gruesome crimes attributed to drug usage. Many of these alleged incidents, however, as noted earlier, have been patent fabrications. As for the rest, there was almost invariably no attempt to determine that the illicit drug was the actual cause; it was merely assumed.

It is well documented that the effects of a drug on an individual's behavior may be as much, or more, the result of group and individual expectations regarding the drug's effects rather than the actual pharmacological effects of the drug itself. Thus, the widespread publicity surrounding some fabricated horror stories may well have resulted in some real ones. Expectations aside, the actual ten-

dency of most of the illicit drugs is to impede activity, thereby decreasing the likelihood of antisocial behavior.

In his 1969 study, *Narcotics Addicts in Kentucky,* Dr. John A. O'Donnell found that a substantial number of addicts had, during the many years of prohibition, been receiving narcotics through prescriptions from their doctors. Over 91 percent of the male addicts were never convicted of a crime during the entirety of their addiction. Furthermore, during this period the black market for illicit drugs virtually disappeared in Kentucky. Upon the deaths of the older physicians, however, who were the only doctors willing to run the legal risks of prescribing to addicts, the black market returned.

In 1968 the *Journal of the American Medical Association* published a report on the Dole-Nyswander methadone maintenance program in New York City. Providing addicts with a legal and therefore inexpensive supply of narcotics (methadone) had resulted in an 88 percent reduction in their criminality. Furthermore, the number of addicts gainfully employed rose from 28 percent prior to maintenance to 85 percent for those remaining 24 months or more, and the number on welfare dropped from 40 percent to 15 percent.

But perhaps the strongest refutation of the charge that drug usage is socially harmful comes again from history: With the exception of the drugs covered by local laws prohibiting alcohol and blatantly anti-Chinese laws like the act of February 23, 1887, prohibiting the importation of opium by Chinese subjects in the United States but not by American citizens, all drugs were freely available in this country prior to the implementation of the Harrison Act in 1915. When there were no drug laws, there was no drug problem.

ANTISOCIAL LAWS

Crime and social deterioration have, of course, been associated with drugs. But the conclusion is inescapable that these are the results, not of drug usage, but of the drug *laws.* They have been instrumental in the formation of large criminal syndicates in our country and in promoting graft and corruption on every level of government. They have cost our society literally hundreds of billions of dollars (the annual cost, according to a recent report of the US House Select Committee on Narcotics, exceeds $27 billion). They have cost tens of thousands of lives from contaminated drugs, hepatitis and other needle-borne diseases, and from crime related to the black-market acquisition of drugs. They have destroyed the careers and lifestyles of hundreds of thousands of our citizens simply by labeling them criminals.

Coffee was virulently attacked when authorities discovered it was being taken for pleasure.

Finally, as our friends and neighbors have violated these laws, their existence has bred disrespect for all laws, and their selective and discriminatory enforcement has bred contempt for the entire legal system. As stated by a narcotics agent testifying before the Select Committee on Crime: "When the drug problem was a Negro problem, everyone went to jail. When it moved out into white communities, we have seen a different standard of justice being applied."

We are periodically presented with the fact that the sons and daughters of our politicians use illicit drugs with seeming impunity, but such use is not limited to the sons and daughters. In 1962 Commissioner Harry J. Anslinger of the Federal Bureau of Narcotics reported the existence of an addict who "was one of the most influential members of the United States Congress. He headed one of the powerful committees of Congress. His decisions and statements helped to shape and direct the destiny of the United States and the free world." Edward Brecher tells how the drug laws applied to this man:

> *Commissioner Anslinger heard of this man's addiction, recognized the political damage that might follow exposure, and therefore arranged a continuing supply of drugs for the elderly Congressman from a pharmacy on the outskirts of Washington. When a nationally syndicated columnist got a tip on the story from the pharmacist, Commissioner Anslinger staved off exposure by warning the journalist that "the Harrison Narcotic Act provided a two-year jail term for anyone revealing the narcotic records of a drug store."*

What better evidence is there that the whole idea of harmful "dope fiends" is a myth? As Dr. Thomas Szasz points out in *Ceremonial Chemistry:* when the powerful and wealthy "take psychoactive drugs, they are still respected political leaders who, in their spare time, wage war on drug abuse; when the powerless and the poor take the same drugs, they are 'dope fiends' bent on destroying the nation." The myth of the "dope fiend" was designed to frighten the public into supporting the prohibition of illicit drugs. But laws which allow for incarcerating and even executing individuals should not be based upon a myth.

"AMAZINGLY BLAND"

The other classic argument for drug laws is that the illicit drugs are harmful to individuals. Yet today the two most harmful drugs in America—nicotine and alcohol—are legally obtainable. Both have a physical and mental dependence potential; that is, they are addicting, just as narcotics are. But in addition, both nicotine and alcohol are organically damaging. Narcotics are not.

Cigarette smoking causes lung cancer and is a major factor in deaths from coronary heart disease, chronic bronchitis, emphysema, and other diseases. Each year over 300,000 smokers die prematurely as a result of their smoking. Alcohol is responsible for irreversible brain and liver damage and is also a significant factor in homicides, suicides, fatal accidents, the "battered child syndrome," birth defects, and so on, ad nauseum.

In stark contrast, study after study has been forced to conclude that the taking of narcotics results in no measurable organic damage. The point is not that the illicit drugs are safe, but as Edward Brecher and the editors of *Consumer Reports* concluded in *Licit and Illicit Drugs:* "There is general agreement throughout the medical

and psychiatric literature that the overall effects of opium, morphine, and heroin on the addict's mind and body under conditions of low price and ready availability are on the whole amazingly bland."

Yet the argument from individual harm does not just rest on shaky evidence. It also relies on a questionable political principle—that if sufficient harm were demonstrated, prohibition would be necessary and proper; that individuals should not be allowed to harm themselves. The basis for America's labyrinth of drug laws is, in short, the idea that some of us may force our neighbors not to engage in noncoercive acts that we deem harmful to them or that do not accord with our view of how citizens should live. It is a doctrine of force, a doctrine of intolerance. In America the government seeks to protect its citizens from drugs; in the Third Reich the protection was from Jews.

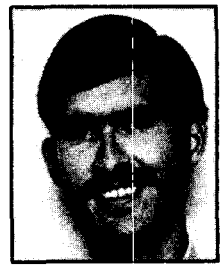
The crux of the problem is that the public has come to view drug taking, not as unhealthy behavior, but as immoral behavior. Why else would the drug laws remain in the face of all the evidence showing that they are relatively unharmful? Why else would people continue to be allowed access to "approved" drugs such as nicotine and alcohol?

Americans must realize that the widespread belief in the evil of illicit drugs is a carry-over from the unfortunate phase of our history when members of minority groups were regarded as morally inferior, thus justifying intervention in their lives. In each and every case, a particular drug that came to be associated with a particular minority or minority lifestyle was then banned in order to enshrine in law the moral superiority of the nonuser over the user. It is this reality that so readily explains the extreme reticence to eliminate such laws even in the face of their obvious counterproductive nature. And it is this reality that so readily explains the fact that significant opposition to drug control legislation did not develop until illicit drug usage became widespread in white, middle-class America.

In a Kentucky study, over 91 percent of the male addicts were never convicted of a crime during their addiction.

One hundred years ago the concept that the State could tell Americans what they could and could not ingest would have been ridiculed. Fifty years ago the concept that the State could tell farmers in foreign countries what they could and could not plant would have seemed bizarre. And today, we must realize that no citizens can long exist free when the majority can prohibit the noncoercive acts of the minority. ◻

Michael Monson earned a degree in history from Dartmouth College and is currently an attorney with a Phoenix, Arizona, law firm.



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Taxed to Death

viewpoint

Alan Reynolds

For some people, it never seems to be quite the right time to cut taxes. The Carter administration argued last year that tax cuts should be postponed until the economy was flat on its back. After obligingly shoving the economy into the pits, they now argue that tax cuts should not occur in election years, either. Those criteria leave only two appropriate moments in the past decade (1970 and 1975), so we missed our chance. It is apparently too late to cut taxes to avert the recession, too early to tell if it is needed in the recovery.

To be fair, there were major federal tax cuts enacted in 1975, 1976, 1977, and 1978. As a result, income and payroll taxes rose only 54 percent from the fall of 1974 to 1979 for middle-income budgets; for "higher" budgets (an obscenely lavish before-tax income of $30,317 for a family of four), the tax increase was merely 66 percent.

In Washington, a "tax cut" means that taxes will not rise quite as fast as otherwise, "tax reform" means taxes are going up, and "tax relief" means that taxes will be lowered only for those with the lowest incomes and lowest tax rates. A "targeted" tax cut means a break for existing large corporations that are not serving consumers well.

Now the Senate Finance Committee is generously offering to cut individual taxes by $22 billion next year, with most of the benefit again going to the very lowest and highest incomes. This at a time when inflation will raise tax rates by at least $14 billion, Social Security taxes go up by $17 billion, and the excise tax on domestic oil drains another $15 billion. With friends like this, taxpayers don't even need Jimmy Carter.

Recent leaks about Carter's latest policy switch emphasize the virtue of delay but hint at a "refundable investment tax credit" (that is, a cash subsidy) for companies without profits that invest in certain forms of physical capital. Consumers and the businesses they make profitable can thus pay higher taxes so that losers can expand.

Higher taxes are, we're told, the price we have to pay to reduce inflation. That is why past tax increases have done such a good job in preventing inflation. It also explains why Britain and Sweden have never had inflation problems, and why the annual tax cuts in Japan have obviously devastated that economy. Perhaps the best example is Jamaica, which decided to help the poor by hiking taxes on the rich—until they left.

A Puerto Rican official once asked writer-economist Jude Wanniski how to raise per capita income, and he said: "Import more rich people, or at least stop exporting so many of them." A viable economy needs managers, professionals, and successful entrepreneurs. Puerto Rico has been cutting income tax rates by 5 percent a year and is swimming in an unexpected windfall of tax revenues from a stronger economy.

This sort of thing bothers some libertarians, and conservatives too. Having suffered at the hands of heavy-handed government, as has everything noble or virtuous in human endeavor, they experience some agony in seeing government share in prosperity, even if the share is smaller. Just as the so-called liberals would rather see a stagnant economy than let anyone get rich by creating prosperity, their opponents sometimes seem to prefer to see the government in a fiscal squeeze even if the cause is a private economy taxed into chronic stagnation. That attitude can end up with government growing in *relative* size and power, as the private economy is emancipated by punitive tax and regulatory policies. The British government isn't really so huge; it's just that there isn't much else left over there.

The most dangerous opposition to meaningful tax cuts is not the Carter administration, which has a credibility problem, but a curious collection of corporate spokesmen and conservative economists whose advice proved so constructive in the Nixon-Ford years. Some, like Herbert Stein, argue that taxes will have to go still higher to finance more arms. Never mind that the already projected tax increases are demonstrably impossible—the economy could not possibly bear them and nonetheless grow at the 4.2 percent rate assumed for 1982-85. Others implicitly believe that the budget really could be balanced by taxing us all into the unemployment lines.

Then there are nitpicking debates about precisely which taxes to cut in which way. Many businessmen agree with President Carter that corporate taxes must come first. But all taxes are paid by people, as suppliers of labor and capital, and the corporate income tax (silly as it is) is relatively trivial. Individual income and payroll taxes are slated to rise from 15 percent of personal income before Carter took office to 20 percent next year and 23 percent by 1983. Corporate taxes are not now planned to take any larger share of corporate profits and are only one-seventh the size of direct personal taxes.

When the Carter folks complain that Kemp-Roth would cut revenues in 1985 by $220 billion, that is indeed alarming. All individual income taxes did not amount to that much last year. In fact, however, cutting tax rates by 30 percent wouldn't lower revenues by anything like $220 billion, because there is no way to hike taxes as much as planned without flattening the private economy and driving recession-related spending through the roof. Actually, if Kemp-Roth passed, the share of personal income going to federal income and payroll taxes would still be substantially higher in 1985 than it was in 1976-78. Kemp-Roth is not drastic tax cutting at all—just a smaller increase.

Now, the plan put forward by Libertarian Party candidate Ed Clark (see Trends, Oct.) really would cut taxes and provide a generally persuasive list of drastic spending cuts, too. But I could do without this part: "The Clark tax cut will have a much greater impact on lower-income taxpayers than higher-income." Has the Libertarian Party adopted an egalitarian ethic?

Alan Reynolds is vice-president of research at a major US bank.

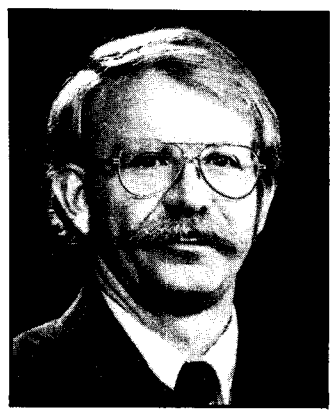
spotlight

Environmentalist Cum Economist

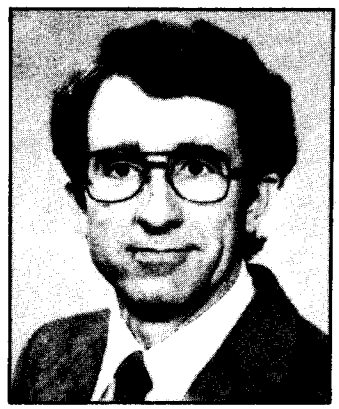
By Patrick Cox

One tends to expect outstanding economic and environmental investigation to be centered in large metropolitan areas. High-powered think tanks seem natural in Boston, New York, Chicago, or Los Angeles. So it is surprising to find a superlative center of academic research and dialogue nestled among the mountains of Montana in the city of Bozeman, with a population of less than 25,000.

The Center for Political Economy and Natural Resources at Montana State University was organized by John Baden and Richard Stroup in the spring of 1978. Its purpose is to provide an institutional setting for the study of political economy and natural resource issues with the application of property rights and a free-market approach. To this end, the center conducts seminars and conferences, sponsors publications, and offers support to graduate students doing work on resource economics.



John Baden



Richard Stroup

Authors working under the auspices of the center have produced a number of publications: *Managing the Commons,* by Garrett Hardin and John Baden; a textbook, *Economics: Private and Public Choice,* by James Gwartney and Richard Stroup; *Earth Day Reconsidered,* edited by Baden; and, forthcoming, *The Birth of a Transfer Society,* by Terry Anderson and P. J. Hill (authors of "An American Experiment in Anarcho-Capitalism: The *Not* So Wild, Wild West," in a 1979 *Journal of Libertarian Studies*). Stroup, Anderson, and Baden also coauthored the forthcoming text *Natural Resource Economics: Foundation for Policy Analysis.*

The Cato Institute and Liberty Fund will both have environment-related seminars hosted by the center this year "in the middle of no goddam place," says Baden, obviously amused at the center's unorthodox rural setting. The conferences are held at a guest ranch in the Montana mountains complete with trout fishing and wildlife. "We have a comparative advantage here," Baden admits. "Who really wants to go to Dallas for a convention?"

The partnership of Richard Stroup and John Baden is the prime mover behind the center. It is a colorful if not unlikely alliance. By those who know his work, Stroup is esteemed as a deeply reflective and creative economist. An associate says that "he thinks about everything in terms of economics. He has one of the best analytical minds in economics today." Stroup attended the Massachusetts Institute of Technology, graduated from the University of Washington, and teaches at Montana State University in addition to his activities at the center. His list of publications is nearly four pages long. He is soft-spoken and wary of political involvement.

John Baden is a different case. With a quick grin beneath his bushy mustache, Baden is vocal and enthusiastic. Characterized as flamboyant and a promoter, Baden has been successful in raising some $350,000 to carry on the center's work. Being interviewed, Baden was the more talkative of the two, but after answering a question he would turn to Stroup for verification, amendment, or modification.

John Baden is a political scientist—a political anthropologist, to be exact. But he more closely resembles the standard image of an environmentalist. An ex-logger, Baden has purchased and restored a sheep ranch in Montana that was "all gulleys and erosion, naked of fence or building," according to the *Wall Street Journal.* He has contributed to the Sierra Club, the Audubon Society, and the Wilderness Society. He was at one time director of the Environmental Studies Program at Utah State University.

When he first came to Montana State he had little understanding of the problem-solving ways of the market. He credits Stroup with that enlightenment. In his first year at MSU he took on Milton Friedman's proposal gradually to sell off all national forests. Baden's concerns over biotic diversity and watershed maintenance were hard questions even for Professor Friedman, but Baden has gone on to explore the economic approach to such concerns and now shares Friedman's belief in the superiority of private over government management of the forests.

Baden overflows with examples of the market taking care of the ecosystem better than the government. One interesting case is the control of water pollution in Scotland. The Scots have a long tradition of love for the art of fishing, which of course requires high water quality. How do they do it? Not by "a lot of agencies running around trying to enforce laws," says Baden. Such agencies are "totally unable to be site-specific." Instead, "they simply have property rights in the streams.... Some sites sell for many thousands of dollars. If someone degrades the stream, they have done actual damage—tort damage—to the owner of the rights." The happy outcome is that Scotland's streams are full of trout and salmon.

Closer to home, Baden points out the result of government management of Rocky Mountain forest lands. "It's important to understand," he notes, "that God is not especially interested in growing trees in the Rocky Mountains." The combination of slow growing time and difficulty in building logging roads makes the Rocky Mountains naturally unattractive to loggers. Baden points out that 90 percent of the erosion associated with logging is actually caused by access roads. But when the Forest Service is in charge of deciding where and how much timber can be cut, it's done largely on political grounds. So logging in the national forests is divorced from the costs of doing so. "We find that we are subsidizing the destruction of Rocky Mountain forests....Weyerhauser would never log there." In one case that Baden researched personally, taxpayers paid $84,000 per 1,000 board feet of timber removed from a forest. The market price at the time was about $42 per 1,000 board feet.

Though environmentalists tend to re-

spond with shock to the free-market policies that Stroup and Baden espouse, both of the scholars are firmly convinced that there is a natural coalition, yet unformed, between libertarians, environmentalists, and fiscal conservatives. Their literature is replete with case studies in which expensive bureaucratic policies have contributed to the destruction of the environment. To those of us genuinely concerned about today's ecological issues but stifled by the standard "environmentalist" answers, the center's focus is a breath of fresh air, a breeze that blows from private property in the mountains of Montana.

Patrick Cox is a free-lance writer.

taxes

Auto Tax Savings

By Timothy Condon

What!?! An increased tax *break*? At a time when even the Inflation Lovers are talking a line about "balancing the budget"? *Outrage, outrage,* cry the big spenders. Yet, there it is: an increase in a tax deduction (technically: an income "adjustment" increase, for most of us). And what's more, it's a tax break that almost everyone can use.

What I'm talking about is the "standard mileage rate" that the IRS allows for taking business-transportation deductions. It has been raised from 18.5 to 20 cents per mile for the first 15,000 miles you drive your car for business. And, for job-related use in excess of 15,000 miles in any one year, the rate is up from 10 to 11 cents per mile.

Now, this isn't really cause for too much rejoicing. For one thing, the standard mileage rate doesn't come near the *real* costs of driving your auto. And for another thing, the rate increase has been long overdue and long anticipated. It's been quite a while since the General Services Administration and the American Automobile Association released studies claiming, respectively, that it costs you 21.5 and 21.2 cents per mile to drive your car; it's been even longer since the Hertz Rent-a-Car people—who know better—showed that it costs about *36 cents* a mile to drive your car when it's new, then decreases.

But that's quibbling. With the government's tax grab going up every year, any tiny break tends to thrill. So, here's how the standard mileage rate works: As most everyone knows, expenses incurred for business purposes are deductible—whether on the Schedule A (itemized deductions), a Schedule C (self-employment income), or a Form 2106 (Employees' Business Expenses), depending on what your situation is. One such deductible expense is running an automobile. And there are two ways that such expenses can be taken on your income tax return.

1. You can list all your auto-related expenses, adding them up and then taking a percentage of the total as your deduction. Along with depreciation, that percentage is figured according to how many miles you drove your car for business. This method is the Big Money way to take your business-mileage deduction—you can almost always beat the standard mileage rate by keeping *all* your auto expense records and receipts. But it's only for those who can put up with the constant record-keeping requirements. Think about it: gas, oil, repairs, tune-ups, new speakers, tires, reupholstering, license plates, fees, taxes, tools, inspections, interest, insurance, lubrication, etc., etc., ETC. But I must admit, I have great admiration for such people. When they come into my office with all those deductible receipts and records, they make me feel good.

2. On the other hand, the easier way, which most people opt for, is the standard mileage rate, that is, 20 cents per mile for the first 15,000 miles, and 11 cents for each business mile driven thereafter. Here's the tax break you'd get on your business mileage if you drove 20,000 miles last year in connection with your job: 15,000 business miles, times 20 cents per mile, is $3,000; plus 5,000 miles times 11 cents a mile, equals $550. The total deduction would be $3,550, and that ain't bad, especially considering the amount of miles some people drive for their job. Of course, it's not as much as the *real* cost of running your car...but you didn't keep all those expense receipts over the entire year, did you?

Now, a few warnings. First of all, commuting miles are *not deductible* (except for those who drive to "temporary job sites" outside the normal area of their business). I know, I know, they're obviously "business-related" miles, but the law doesn't allow it, period. Second, if you take a business-mileage deduction, you have to be ready to tell *when* and *where* those miles were driven. And you've got to be able to nail down the *total* miles you drove during the year. If you somehow forgot to check your car odometer on New Year's Day, you can often get a good idea of what it said by checking repair or oil change receipts (like the ones they stick on the edge of your car door). As far as meeting the when-and-where requirement, the best thing is to keep a mileage log in your auto and fill it out over the year. Otherwise, there are many ways to recreate and support your miles driven.

Keep in mind now that there's a lot more to taking business-mileage deductions than what I've said here. It's a very complex area, strewn with "grey areas" under the tax law. If you're unsure, you need to talk with a professional. You should talk with a pro anyway, as the good ones can almost always find deductible business mileage that a client didn't know about.

* * *

One other thing. This is the last chance I'll have before the presidential election to remind you of the political contribution credit. If you're single and give $100, you get the maximum credit of $50, which comes off the top of your *tax owed.* If you're married and filing jointly, a $200 contribution to a candidate will get you a $100 credit. Since the law was designed to enable politicians to bury their snouts ever deeper into the public treasury, a contribution to a tax-fighter destroys the intent of the law. Take your choice: the Libertarians are the most consistent and vociferous, but the Republicans this year are listening to the likes of tax-reduction apostles Milton Friedman and Jack Kemp...and might even move to reduce taxes if Reagan gets in. So send off that check now. Help turn a pork barrel law against the porkers.

Timothy Condon, a member of the Florida Bar, is a tax specialist with the Condon & Vollrath Tax Service in Tampa, Florida.

Do you have a tax question? Mr. Condon may have the answer. Send your query along to REASON Taxes, Box 40105, Santa Barbara, CA 93103.

(A limited number of reader questions can be answered in print; personal replies cannot be made.)

arts & letters

movies

- **The Hunter**
- **Close Encounters of the Third Kind**
- **Rough Cut**
- **Americathon**
- **Dressed to Kill**
- **My Bodyguard**
- **Fame**
- **The Outsider**

Reviewed by John Hospers

• According to an 1872 law, a person who breaks bail can be "brought to justice" by a private citizen with the approval of the police in the locality where he is wanted. Such a private citizen is portrayed by Steve McQueen in **THE HUNTER,** apparently based on a true story. And such a life has considerable potential for excitement to those temperamentally inclined in that direction. So does a film based on these adventures. But this film doesn't realize much of that potential. There are a few exciting scenes, all having to do with catching the culprit—for example, by means of a combine on a Nebraska farm, and again on an elevated train speeding through downtown Chicago. But these are all detached incidents, and the characters merely shadows, so no great imaginative identification is established. The few disconnected chase scenes are held together by the rather gooey paste of a long-winded love story that doesn't come off very well, involving a common-law wife who is extremely pregnant and the hero's male-chauvinist attitude toward her.

• The highly advertised "new version" of **CLOSE ENCOUNTERS OF THE THIRD KIND** is so similar to the original version as not to be worth paying the price of admission a second time. About 20 minutes of the draggy middle section (the realization of the significance of Devil's Tower by an unspecified brand of ESP) has happily been omitted, and instead we have an extension of the final scenes, in which we see the people inside the spaceship as well as Richard Dreyfuss's involvement in the affair. The new version is better-paced than the old and improved for having the dull parts removed, yet the revision hasn't effected any great change. Seeing it is recommended only if you have an understandable nostalgia for seeing a really well-done UFO film with splendid special effects.

• The French novelist Gustav Flaubert was so obsessed with style that subject matter came to be a matter of indifference to him; "I would like to write a book about nothing," he said—all style and no content. He almost succeeded, as does the current film **ROUGH CUT.** Its ostensible subject is a diamond heist, pitting the shrewdness of the thief against the shrewdness of Scotland Yard. But the film is slowly paced, never builds up much tension, and never takes itself very seriously; the demands of the plot are never so great as to preclude a series of clever one-liners. It is all style, and the style is very elegant indeed; even Burt Reynolds's performance could be characterized as all style. Because of this the film is very enjoyable to watch, strictly as amusement. The English and Dutch countryside are also nice to see, but the main plaudits go to a well-paced and nicely turned script. The lines don't say very much, but they say it very well.

• The picture of the United States in the 1990s offered by **AMERICATHON** strikes some responsive chords. The national debt has become almost infinite. San Diego has been sold and renamed Tijuana Heights. Indians are holding out for 400 billion dollars in claims, but they don't want paper money, only gold. England is the 57th state of the Union (we aren't told what 51 thru 56 are). Since houses are too expensive and gasoline is rare, people live in their cars. The Arabs are in financial control of the United States. Punk rock has been replaced by "puke rock." To obtain money (gold) for a bankrupt treasury, the US president, a young man who was elected because his name was Roosevelt, stages a 30-day television marathon. Most of the film is given over to this spate of "entertainment," which is about as revolting a collection of noise and performers as have been seen together on the screen. In the midst of it all the president is kidnapped but government won't pay the ransom. In spite of a few good ideas that are never followed through, the film is utterly incoherent, the entertainment is worse than worthless, and the film, except for a couple of gags, is a miserable failure, whose attempts at humor fall pitifully flat. The whole thing is so unfocused and mindless that one wonders how the director and the players so much as got together on the same day.

• Like it or not, makers of mystery thrillers today live in the shadow of Alfred Hitchcock. In the case of the latest one, **DRESSED TO KILL,** there appears to be a conscious imitation of Hitchcock—stabbings in the shower and other features that if mentioned would give away the plot. Writer-director Brian De Palma has used some form of ESP in the plot of all his films so far; in this one, happily, he does without. The pacing is good, the plot is engrossing, the suspense well-sustained—all in all, his best work to date. There are, however, more coincidences and improbabilities than Hitchcock would have tolerated, and a couple of loose ends that he would have tied together. A critical factor in the story is something that (under the circumstances) is so tremendously improbable that one can only consider it a major defect in the plotting. Nevertheless, one is thoroughly engrossed in the epistemological problem (not Who did it? but How will *they* find out who did it?) and in trying to separate genuine leads from red herrings, so many people will not even realize that in the final resolution one has been cheated by a piece of amateurish psychology.

Purists will hold out for Hitchcock. That not being available, others will be grateful that there are some directors walking in his shadow, even though the shadow is less luminous by far than the work of the man who casts it.

• There is an obvious comparison between last year's *Breaking Away* and this year's **MY BODYGUARD.** Both deal with the adventures and the problems of high school students, and both do it in a realistic manner that is at the same time high-spirited and enjoyable to watch. The setting of this one is Chicago, where a student (Chris Makepeace) has moved from an exclusive private academy to a downtown public school. How he deals with the problem of harassment by school gangs is the main subject of this film, though there are also subsidiary threads in the plot that add texture to the story and are enhanced by the antics of the incom-

parable Ruth Gordon as the boy's grandmother. There is a somewhat greater touch of the tragic in this film than in *Breaking Away* because of the nature of its story: the search through the slums of South State Street is a far cry from a comic interlude. But whether sad or funny, each incident in the film is treated with gusto, compassion, and fine attention to detail, with strong imaginative identification from the audience at every turn. It's a good story, very well told, and one of the few film delights thus far in 1980.

• For many years, one of the few redeeming features of New York City's decaying educational system has been the Bronx High School of Performing Arts. This is the setting for over 90 percent of **FAME**, which is what most of the talented young people who attend this school (and act in this film) are after. In the end, almost none of them make it, but the performances we witness along the way are, on the whole, quite worth watching. The high spirits and driving energy of the young people are quite contagious, and though the stories connected with some of them reek of soap opera, there is no faulting their performances. The pace is so frenetic, however, that finally the viewer tends to become, not bored, but simply worn out; and the stories themselves don't add enough spice to make the second half as exciting as the first. Still, the film does its bit to restore the grand tradition of MGM musicals, and this is quite an accomplishment in itself.

• Any film about the problems of northern Ireland will inevitably be compared to John Ford's immortal classic on that subject, *The Informer*. **THE OUTSIDER** is no *Informer*, but in its gradual and evenly paced development it presents a powerful picture of that nation's continuing troubles.

In a memorable film some years ago, *Circle of Deception*, the British Intelligence during World War II parachute a man into occupied France, knowing that he will be caught and probably tortured by the Nazis and knowing also (on the basis of psychological tests) that he will be unable to withstand the torture and will in the end tell them the truth, or what he believes to be the truth. So they feed him false information; he is caught, captured, and tortured, and finally the Nazis are satisfied that he is telling the truth. As a result, they revise their conclusion on where the D-Day invasion will occur, marshaling their defense forces in what turns out to be the wrong place. For the man involved, the use of him knowingly as an instrument in the hands of others is a monstrous crime. Yet, British Intelligence argued, doing it saved thousands of lives at D-Day, and many who criticize the British action are alive today because of it.

A similar moral dilemma is posed in this film. An American youth of Irish descent goes to Ireland to fight for "the great cause," the IRA. But the IRA decides that the best use they can make of him is to kill him themselves with a British gun, thereby giving credence in the world press to the idea that the British are ruthless in their treatment of the IRA. Gradually, the protagonist graduates from youthful idealism to the realization that both sides are equally unscrupulous in their methods, perhaps even in their aims; and a deathbed confession from his grandfather compounds his disillusionment.

One could argue both sides of the question whether the moral of the film is "a plague on both your houses." Certainly no solutions are offered, and perhaps in this particularly intractable conflict none are possible. But what a continuing civil war does to the morale of a country is vividly portrayed, and it is the peculiar ability of the film medium to make us vividly aware of situations, not to solve them. That is about all we can expect of films with social-political significance, and in this case the expectation is fulfilled.

John Hospers is a professor of philosophy at the University of Southern California. His area of special interest is aesthetics.

books

Novel Intelligence

The Spike.
By Arnaud de Borchgrave and Robert Moss.
New York: Crown. 1980.
374 pp. $12.95.

Reviewed by John C. Boland

It's an open secret, if you accept the authority of Les Whitten in the *Washington Post*, that the model for the left-wing think tank in this *roman à clef* of Soviet influence is the Institute for Policy Studies. Besides enjoying wide access to Capitol Hill, of course, IPS has forged some ties within libertarian circles, especially in the disarmament camp, through joint projects with the San Francisco-based Cato Institute.

Those factors help to make *The Spike* a novel of compelling interest. On the face of it, the thesis is plausible: that the intelligence agencies of the Soviet Union are at least as active as those of the West. The focus here is the dissemination through Western news media and institutions of false information—*disinformation*, a term fortunately coming into vogue—about Soviet intentions.

If one wonders at the persistent and widespread bent toward putting the best face on Kremlin military and subversive campaigns, *The Spike* argues that Directorate A, a well-heeled department of the KGB, has successfully influenced the accepted terms of debate within a broad spectrum of US public opinion. That's an enormous allegation, one that I suspect is no more welcome to some libertarians than to many well-meaning liberals and moderates. But it's also one of such potential importance that it deserves a serious hearing.

The title of this novel refers to that instrument of the newspaper city room upon which the palms of harried editors and the prose of prolix reporters are impaled, along with, sometimes, the stories of impolitic reporters. As Robert Hockney, the novel's young hero discovers, it's far easier in the American press to expose the operations of the CIA than to expose those of the KGB. Indeed, on the strength of his revelations of American intelligence ties to European news media, he ascends in the turn of a few pages from free-lancer for a *Ramparts*-style Movement magazine to foreign correspondent for what could be mistaken for the *New York Times*. Having used tips from Movement friends—notably, fellows of the Washington-based Institute for Progressive Reform—to unveil CIA activities, Hockney is lionized by the fashionable left and bedded to a fare-thee-well.

But he comes a cropper. A counter-intelligence chief whose career Hockney has helped to destroy plants seeds of doubt. "The Russians don't need to hand money out the back door of the embassy," the old man declares, "when they have tax-exempt foundations controlled by Marxist sympathizers in this country who can raise the money from guilt-ridden liberal millionaires and little old ladies who in other circumstances might leave their inheritance to a cats' home or a gigolo."

As Hockney pursues a lengthening trail, he finds that the socially conscious, trendy antimilitarists who have fed him scoops are oddly inconsistent. Decrying American espionage, an ex-CIA officer announces a trip to Rome to "expose every goddamn CIA agent in Italy"—and meanwhile passes intelligence to Marxist terrorists. The Institute for Progressive Reform taps him to head a branch in Amsterdam with a million-dollar bankroll. Friends of the West are systematically discredited, while radical regimes are adored as humanitarian. Putting together a saga of

Soviet manipulation of US reporters and institutions, Hockney finds that his revelations are too much for his newspaper's liberal editors. The story is spiked.

There are many points on which one can fault the novel. Years of fame or privation are told in the style of "he spent 40 years in the wilderness." A bounty of satirical opportunities lies largely unexploited. Characters emerge as scarcely more than ambulatory names.

Yet it's written with such authority that the story is captivating. The authors—Arnaud de Borchgrave, *Newsweek's* chief foreign correspondent, and Robert Moss, an editor of London's *Economist*—insist that the characters are composites. But many of the examples of high-level espionage, they maintain, are true. At the end, when a KGB defector faces a Senate hearing and begins naming names—of "friendly persons" and of conscious Soviet agents—not all the cries of smear and McCarthyism can put the masks back on.

"When I worked for Directorate A," Colonel Viktor Barisov testifies, "I was part of the team that decided that we should hammer away at the following themes until they became conventional wisdom for the Western media. That our military buildup was inspired by the fear of encirclement by China. That a military conflict between Russia and America is unthinkable for either side, since there could be no winners in a nuclear exchange—when, in fact, our strategic doctrine has always maintained that it is possible to fight and win a thermonuclear war. That it is morally unacceptable for a democracy to tolerate covert intelligence operations."

Those themes remain popular in some quarters. *The Spike* invites its readers to wonder why.

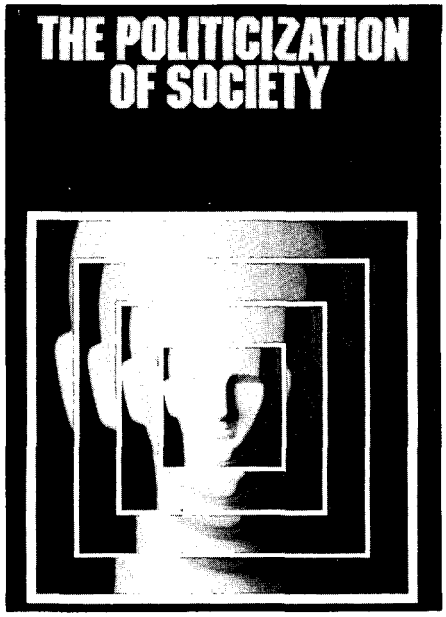
John Boland is associate editor of the financial weekly Barron's.

How Is Liberty To Be Secured?

The Politicization of Society
Edited by Kenneth S. Templeton, Jr. Indianapolis: Liberty Press. 1979. 541 pp. $10.00/$4.50.

Liberty and the Rule of Law.
Edited by Robert L. Cunningham. College Station: Texas A & M University Press. 1979. 349 pp. $15.00.

Reviewed by John N. Gray



What accounts for the decline and confusion of free societies in the 20th century? In his valuable introduction to *The Politicization of Society,* the distinguished economic historian R. M. Hartwell speculates that the decay of liberal civilization is due (in part, at any rate) to the rise of a new class of intellectuals. This is a class whose members' circumstance as salaried employees of State-supported institutions fosters an ignorant contempt for market processes and political aspirations involving grandiose schemes of social engineering. Hartwell's analysis suggests that political intervention in the market economy is facilitated by the growth of an intelligentsia whose unemployability in the free market breeds a pervasive anti-capitalist mentality.

This is an intriguing conjecture. Undeniably, academics as a class have done much to obscure the economic foundations of intellectual liberty. Certainly, while it cannot be the whole story, Hartwell's conjecture fills a large hole in liberal theory. So far, theorists of liberty have not been very successful in illuminating the sources of 20th-century interventionism. Nor have classical liberals and radical libertarians had much to say about how a reversion to collectivism is to be avoided once a free society has been restored.

Because these questions have been so badly neglected, *The Politicization of Society* is an extremely useful collection. Several of the 14 essays it contains are addressed directly to the reasons for the decline in liberal institutions, but it contains much else of value, as well. Robert Carneiro and Felix Morley write on the origins and growth of the State. Giovanni Sartori shows how the rule of law has been undermined by interventionist legislation. And Murray Rothbard contributes his famous essay "Freedom, Inequality, Primitivism, and the Division of Labor."

These other contributions aside, the chief interest of the collection lies in the efforts some of the contributors make to confront the sources of contemporary illiberalism. William Marina and Robert Nisbet argue forcefully that State power expands inexorably as a result of attempts to impose a *pattern* of equality—economic, cultural, and educational—on society. Herbert Butterfield shows how the perversion of historical inquiry for political purposes has served indirectly the cause of liberalism. These are useful contributions in that each of them shows how the moral commitments of the intelligentsia undermine liberty even as they are supposed to be extending it.

In what is arguably the finest essay in the collection, Michael Oakeshott gives a brilliant historical sketch of the emergence in early modern Europe of moral individualism and of its principal enemy, "the mass anti-individual." Oakeshott shows how the moral practice of individuality, arising from the long dissolution of the medieval order, was from the start accompanied by a tribalist backlash.

In part, Oakeshott's essay is a marvelously illuminating account of the germination of modern views of the State in this conflict in the moral character of European man. The spirit of European individualism is captured in the idea of the State as the guardian of civil association, with no purpose beyond that of preserving an impartial rule of law among free men, whereas the collectivist reaction expresses itself in the view of the State as a purposive, or enterprise, association imposing on society a hierarchy of goals. More importantly, Oakeshott's essay is a masterly contribution to the neglected subject of the psychology of liberty. His account of how the anti-individual comes to fear and hate free men and their ways deserves to be read by every person concerned about liberty.

In his capacity as a social philosopher, F.A. Hayek has always been centrally concerned with the relations of liberty with the rule of law, and his complex and controversial account of their connection is examined by 13 distinguished writers in *Liberty and the Rule of Law.* Not all of the papers are argued from a libertarian perspective, but all make a contribution to our understanding of Hayek's system. Rolf Sartorius gives a meticulously reasoned paper comparing Nozick's libertarianism with Hayek's and suggesting that Hayek's is less vulnerable to criticism than Nozick's. In a characteristically provocative argument, Ronald Dworkin de-

fends the thesis that there is no general right to liberty. These are papers showing how Hayek's doctrine inspires thought even in those who do not share its basic postulates.

The key problem of Hayek's system is in the necessary connections it seeks to establish between liberty and the rule of law. Asserting such a relationship would seem to involve Hayek in endorsing at least some of the positions of the theorists of natural law, but this he steadfastly refuses to do. Instead, Hayek is inclined to treat the juridicial framework of the liberal order as the outcome of social evolution, enjoying a sort of moral privilege in virtue of its having so far survived competition with its rivals.

Hayek is on firm ground in his criticisms of the separation of law and morality and of the current view of law as the product of legislation or the invention of judges. Nevertheless, the curious and confused mixture of evolutionary ethics with utilitarianism that he offers as the basis of the defense of liberal society is utterly unsatisfactory. As Eugene Miller and Tibor Machan argue in their contributions to this volume, the logic of Hayek's skeptical Kantianism commits him to the view that liberal society can in the end be given no transcendental justification but must be embraced by those who are devoted to it as a matter of sheer moral commitment. Miller and Machan are probably right that the skeptical and relativist implication of Hayek's system (not consistently acknowledged by Hayek himself) can be avoided only if Hayek takes a step back from Kant to Aristotle. I am myself skeptical about the intellectual prospects of any revival of Aristotelian philosophy, but the papers of Miller and Machan add weight to what is in any case a notable collection.

Liberty and the Rule of Law warrants inclusion in the library of all scholars of Hayek, and it should be read by all who care about the intellectual foundations of liberty. It contains the right questions even if it offers no very persuasive answers to them.

John Gray is a fellow at Jesus College, Oxford University.

Hard Money: Research and Passion

The Origins of Central Banking in the United States.
By Richard H. Timberlake, Jr. Cambridge, Mass.: Harvard University Press. 1978. 272 pp. $18.95.

Honest Money Now.
By Howard S. Katz. New York: Books in Focus. 1979. 85 pp. $3.95 (paper).

Reviewed by Jon P. Windness

With inflation persisting in the double-digit range, many of us have two important questions: How did we get into this mess? And how can we get out of it? Both are dealt with at length in these two books.

Timberlake's book is the most complete exposition I have read on the origins of central banking in the United States. It is detailed, complete, and framed upon sound economic thinking. Because it leans on original source documents (*The Annals of Congress, The Congressional Record,* annual reports of the Treasury, etc.) it is an especially interesting account of monetary history.

The period covered is 1811 through 1913: from the expiration of the charter of the First Bank of the United States to the passage of legislation setting up the Federal Reserve System. Instead of dwelling on the many details, quotes by people in power, debating points in favor of various monetary systems, etc., let's understand Timberlake's main conclusions.

First and foremost, it becomes clear from reading his account that a specie-based (gold- or silver-based) monetary system really works. It is self-regulating, internally and between countries. Moreover, from the record of the 19th and 20th centuries, when there was less variation in business activity, it is preferable to a monetary system controlled by central banks.

Second, when the 19th-century specie-based monetary system broke down into booms and panics, it was either caused or aggravated by government intervention. Contrary to popular opinion, the federal government was heavily involved in monetary affairs throughout the century, with the Treasury Department acting very much like a central bank. The depressions of 1819, 1837, 1868, 1873, and 1896 were all associated with the Treasury first injecting high-powered money (government debt, gold, or silver) into the banking system and then pulling it out. Private speculation played a part, but the original stuff for booms and depressions came from Washington. To repeat: this book provides proof, supported by detailed graphs and charts, that much of the instability of the 1800s was *not* caused by laissez-faire capitalism.

Contrary to popular opinion, the federal government was heavily involved in monetary affairs throughout the 19th century.

Third, Timberlake's many quotes from debate over creation of the Federal Reserve supports the view that no one group or force was behind it. Support came from farmers of the Midwest and South, Wall Street, bankers, industrialists, labor, Democrats, and Republicans. Recalling the oft-destabilizing actions of the Treasury and wishing to take control out of politics, many envisioned the Federal Reserve System as a "quasi-scientific, self-regulating machine for responding only to form-seasonal variations in the demand for money." Moreover, everyone except a few monetary cranks believed in the gold standard and stable money. The Fed's founders wanted only to create an "elastic" currency—one that would stretch and contract, but with total length regulated by gold.

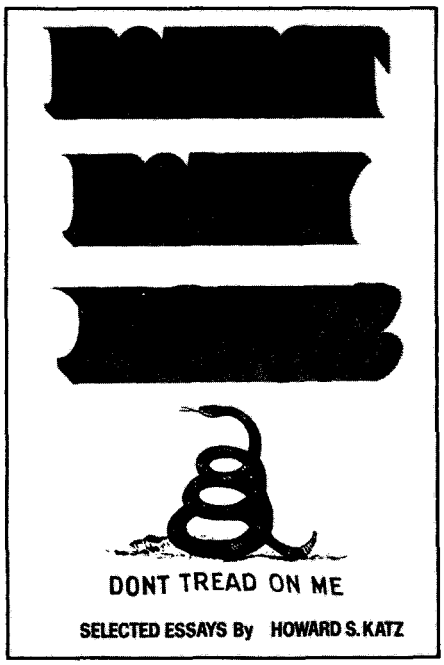
Beyond the above three points, the book contains a most concise and understandable explanation of bimetalism and the political-economics behind silver's rise and fall from the mid-1870s to 1896, the year William Jennings Bryan lost his bid for president on the famous "Cross of Gold" speech. The price of gold had been rising relative to all commodities, including silver, causing some hardship. Silver was the "easy money" of the time and had significant political support, but its acceptance was actually torpedoed by Bryan's Democratic party with repeal of the silver-purchase clause in 1893. (Without going into details, I also found Timberlake's explanation for the falling velocity of money in the 1800s, observed by Milton Friedman and Anna Schwartz in their *Monetary History of the United States,* a useful improvement on present theory.)

What does all this history mean for us today? Timberlake clearly prefers a complete free market in money: "This record suggests that a market system for handling random or even periodic disturbances to the monetary system is more stable than one managed by authorities. Since the self-interest of private persons in business firms and households governs a market system, and since it is their interest to have a stable system, these people will develop market machinery to stabilize the system." Unfortunately, he believes that a laissez-faire monetary system "looks politically impossible." He concludes by advocating a monetary rule, à la Milton Friedman.

Timberlake's book is a painstakingly complete historical account, with new insights and sound economic analysis, and

belongs in the library of every devotee of monetary economics, preferably next to the Friedman-Schwartz magnum opus. Unfortunately, as an advocacy book it also leaves much to be desired. The historical material is organized chronologically, leaving the reader to plow through great detail to find conclusions. In short, it is a strong, scholarly piece but not likely, without adaptation, to convince enough people to return to gold.

Timberlake's shortness on advocacy is more than made up for in Howard Katz's tract, *Honest Money Now*. Here, we find advocacy from beginning to end but, beyond that, little substance or supporting research.



Starting at the top, Katz tells us the only value is freedom itself. Since freedom no longer exists in this country, each of us should take to the streets to win it. Why aren't we free? It's those conspiring bankers, of course, who create inflation and exploit us. What should we fight for? Sound money, a gold standard. The rest of the book is devoted to laying out arguments for a gold standard that all the oppressed will understand and embrace.

Katz tells us that the proper and successful arguments for gold are not those used for years by conservatives, namely, that gold is mystical, eternal, and disciplined. "Tough" values won't win elections; as an alternative, he suggests populist (18th-century liberal) arguments of the Jefferson-Jackson hard-money movements. They were concerned with the liberty and welfare of the everyday person and understood that government-created inflation only benefits kings, big business, and bankers, all at the expense of the public. He points out that modern liberals have taken over classical liberalism's concern for people, leaving conservatives the stuffy and unpopular role of advocating austerity.

But what about unemployment? Won't a return to gold cause booms and depressions like those of the 1800s and the 1930s? Katz properly replies with Austrian trade-cycle theory: Expansion of unbacked paper money causes a boom and malemployment (a populist substitute for malinvestment). Eventually, the ratio of currency to gold becomes top-heavy, there's a run on the banks, and depression/deflation begins. Unemployment, then, is the result of prior inflation, so the way to eliminate unemployment is not to permit paper money in the first place.

The last chapter deals with the political requirement that we develop a unified movement encompassing the lower and middle classes. The rulers have successfully confused us, dividing these two natural allies into conflict. The real conflict is between the people and aristocracy—specifically, all of us versus big business and the bankers.

The problem with *Honest Money Now* is that there is so much oversimplification, careless lumping together of individuals, inaccuracy, and just plain error, that its valid points are obscured. For example, how can Katz be right that there is no way for an honest person to succeed in the United States today, when I daily see honest, successful, and happy people? How can Harry Browne's libertarian philosophy be interpreted to exclude voluntary cooperation for shared goals—isn't the major objection to coercion by the State? And if inflation is such a good deal for debtors and bankers, with everyone else losing, why don't we simply buy bank stocks on margin, then sit back and get rich? Even laborers, by directing pension fund administrators to buy bank stocks, would become tycoons by retirement. Yet, the fact is that bank stocks as a class have not been superior investments.

Then there's Katz's lumping us into classes. Some low-income people who purchased homes with minimum down-payments have benefited from inflation while many "captains of industry" have paid back debt, own stocks and bonds, and have been devastated by inflation. Katz's comment that "the people" are not debtors does not hold water.

Despite these problems, the fact is that Katz makes a generally valid argument. His case for gold is particularly strong: (1) gold is rational and scientific, paper money mystical; (2) gold is associated with human progress, paper money with corruption; and (3) gold is humanitarian, associated with human liberty and peace—government needs inflation to wage war. Katz has a good point when he insists that "tough" arguments for gold will not win adequate support. Freedom is the real issue, and we need to keep explaining that freedom serves everyone, particularly the disadvantaged.

John Windness is an investment manager for a securities firm in Chicago.

Sane Environmentalism

Earth's Resources: Private Ownership vs. Public Waste.
By Robert Smith.
Washington, D.C.: Libertarian National Committee.
1980. 149 pp. $5.00 (paper).

Reviewed by Dick Bjornseth

In the foreword Robert Smith states, "This introductory study, a work in progress, will probably upset some people." People it certainly will not upset are true free-market advocates. Robert Smith's book may be the most comprehensive criticism to date of government environmental regulations and the misguided efforts of today's popular environmental movement.

Smith's convictions about environmental issues must stem in part from his own involvement with them as an active conservationist and past president of the Monmouth County New Jersey Audubon Society. He is personally familiar with the rationale of other, more conventional, environmentalists, who habitually support regulatory and collectivist solutions.

The root of the environmental problem, according to Smith, lies in the "tragedy of the commons." An example of this tragedy is the overgrazing of the public "commons" in preindustrial society by herdsmen seeking to maximize their gain from the public space. The result of this overgrazing was the destruction of the grassland. Smith applies this "tragedy of the commons" theory to contemporary public property—our air, water, and oceans.

Throughout the book Smith examines the impact of the tragedy of the commons on air and water pollution, resource conservation, and wildlife preservation. His wildlife background enables Smith to support his theories with illustrations involving a wide variety of animals, including clams, shrimp, lobsters, sea turtles, whales, minks, hawks, ducks, and even sea cows. These concrete examples are what set Smith's book apart from some libertarian materials that have been rather weighty on the theoretical side.

Earth's Resources is rich in cases that exemplify the ludicrous nature and failure of governmental policies. The bobcat

holds the distinction of having one governmental agency, The Endangered Species Scientific Authority, trying to protect it; while another, the Interior Department's Predator Control Program, is trying to kill it. Another example of the absurdity of governmental policies can be found in certain areas of the Northwest where logging must be carried on only by horses to prevent the pollution produced by motorized equipment. The horses must be diapered so that they will not produce another type of pollution.

Smith doesn't only attack counterproductive federal actions. For every example of governmental failure, he offers a profitable or voluntary alternative that *really* works to further the goals advocated by environmentalists. Examples of successful private solutions to environmental problems include: the commercial farming of sea turtles (which are nearing extinction in the wild), a private hawk sanctuary in Pennsylvania that has done "more to preserve the birds of prey than all the subsequent legislation against killing them," and a growing aquaculture industry now producing the increasingly scarce abalone two and a half miles offshore California.

Smith asks us to consider why the American bison is endangered, but the Hereford and Jersey cows are not. The answer is that one has been considered public domain, while the others have always been private. The farmer will not slaughter all his prime breeding cattle. Rather, he manages his herd size to ensure a continued or even expanded yield.

Smith convincingly demonstrates that the solution to our environmental problems does not lie in further extending public ownership or control but in reducing public ownership of the nation's resources (including land) and in further clarifying private rights to air and water. The message that Smith is delivering in *Earth's Resources* might be summarized in the slogan: "Save The Whales—Sell Them."

I noted only one or two oversights in *Earth's Resources*. One concerns Smith's valid criticism of federal laws that prohibit the import and trade of certain types of wildlife. Smith quite correctly points to the astronomical profits to be made in the black market and the resulting physical brutality to and death of many animals targeted in the smuggling. He concludes that the higher prices that result from the illegal animal trade provide a greater incentive for illegal poachers to collect the animals. The other side of the supply/demand picture, however, is not considered. Higher prices paid for the illegal animals should lead to less consumer demand. When parrots cost $200 each instead of $20, fewer people will want to buy them.

Earth's Resources is now typed double-space and spiral-bound. It is being typeset and republished by the National Libertarian Party in a glossier format. Hence, this professional work will soon be available in a more professional format. Regardless of format, however, *Earth's Resources* is a valuable resource of data and arguments dealing with what is sometimes a difficult issue for libertarians.

Dick Bjornseth is the president of the Association for Rational Environmental Alternatives (AREA).

Unlikely Survival

Coming Out of the Ice: An Unexpected Life.
By Victor Herman.
New York and London: Harcourt Brace Jovanovich. 1979. 369 pp. $12.95.

Reviewed by Juliana Geran Pilon

Even after inoculation by such accounts of the Soviet holocaust as *The Gulag Archipelago* trilogy, the reader will find Victor Herman's book at times almost too excruciating to read. The story of an American who left with his family at age 16 to build trucks for Stalin, *Coming Out of the Ice* is about torture overcome by optimism, about fate mocked with common sense and even humor. The style is direct, its simplicity revealing the intensity of pain with understated eloquence. Victor Herman was no dissident, no intellectual—a mere boy at the time of his arrest for the crime of refusing to surrender his US citizenship.

The story begins in 1931, when Victor Herman had followed to the Soviet Union his father, Sam, a poor immigrant Jew with visions of socialist equality. Sam's ideals had suited his employer, Henry Ford, just fine. Ford did business with anyone; "it didn't matter what the politics were," writes Victor Herman, "it only mattered where the marketplace was." That marketplace, as it turned out, swallowed some of the partners.

Yet Victor Herman, however implausibly, survived to testify. In fact, the book's subtitle, "An Unexpected Life," captures the surprise that death should have been intimidated by a kid determined to defy his torturers to, some day, come home. It took 45 years for him to return to Detroit, but return he did. *Coming Out of the Ice* is the record of that miraculous feat.

Among the miracles that saved his life was the idea to eat a loathsome mammal, unspeakably repulsive: the Gulag rat. I mean that literally: a monstrous kind of rat, the variety of rodent grown enormous by feeding on corpses discarded in the virtually unapproachable outhouses. Unapproachable, at least, to one less determined to outwit his executioners. (It is interesting that nearly all of his fellow prisoners turned down his offer to share with them some of his rat, so disgusted were they by the beast and its nest. Yet he describes numerous instances of cannibalism in the camps—often involving *self*-mutilation. What does it take to have to eat your own leg?)

The suspense and drama of this book would alone earn it a place on the best-seller list. But *Coming Out of the Ice* is much more than a well-written tale of unlikely survival. It is also a comment about our own government. A comment, for example, regarding the fact that hundreds of Americans who went to the Soviet Union on the Ford project were never to return, victims of the Stalinist purges, with no noticeable official US concern. A comment, too, about the fact that, while one of our citizens was risking his life to catch scavenger rats, his Soviet guards were feasting on canned food... *Made in America*! A comment, finally, about President Carter's human rights policy: the president, to this day, has never seen fit to meet with Victor Herman.

But ultimately the story is to be appreciated for its spirit, its grace, its unaffected dignity. This is not an innocent book—it cannot be, written as it was by a man who survived on raw rat. It is nevertheless a tribute to innocence: not to the naiveté of the myopic capitalist, nor to the gullibility of the utopian dreamer, but to the faith that ice need not freeze the arteries, provided there is enough hope to kindle the inner fuel. Victor Herman is an example of how much of that hope there may be—hope, perhaps, for us all.

Juliana Geran Pilon is the author of Notes from the Other Side of Night *(Regnery/Gateway).*

Demythologizing ESP

ESP and Parapsychology: A Critical Re-Evaluation.
By C.E.M. Hansel
Buffalo, NY.: Prometheus Books. 1980. 325 pp. $15.95.

Reviewed by Robert Sheaffer

In 1966, Professor Hansel, who holds the chair of psychology at the University College of Swansea, University of Wales, published *ESP: A Scientific Evaluation* (Scribner's). It was soon recognized as *the*

major scientific criticism of parapsychology. ESP proponents have singled out Hansel for the most vitriolic (and unspecific) attacks.

The *World Almanac Book of the Strange* claims: "most of C. E. M. Hansel's points against parapsychology have either been refuted or explained." But it never shows *how* Hansel has supposedly been refuted, or by whom. Curtis Fuller, editor of *Fate* magazine (which derives substantial revenue from the ads placed by supposed psychics and seers) writes that "many of [Hansel's] main tenets were discredited at the time of its original publication." Here again, the author never bothers to name who has refuted Hansel, or how. The reason for such attacks is that the criticism of parapsychology in Hansel's 1966 book was concise, compelling, and, if correct, utterly devastating to the claim that parapsychology as we know it represents a legitimate scientific endeavor.

Hansel has now revised and expanded his 1966 book, and the result has been printed by Prometheus, bringing the case of the skeptic up to date. Hansel's objection to parapsychology is twofold: first, he criticizes the procedures used in "classic" ESP experiments; and second, he criticizes the scientific philosophy underlying parapsychology.

One parapsychology "classic" is the Pearce-Pratt experiment, carried out in 1933-34 at Dr. J. B. Rhine's famous parapsychology laboratory at Duke University. Hansel visited Duke and secured the cooperation of the research staff to replicate the experiment, with himself as the subject. Hansel cheated, thereby obtaining extremely high scores and baffling the researcher about how it was done.

Another Duke "classic," the Pratt-Woodruff experiment, was criticized as having strong nonrandom features in its data selection as well as sensory clues, which could result in above-chance scores. In the British "classic" Soal-Goldney experiments of the 1940s, recent findings are cited which almost conclusively prove that some experimenter resorted to fraud. Hansel also shows how loose controls and careless experimental design invalidate the famous 1972-74 tests of Uri Geller at the Stanford Research Institute.

Hansel's criticisms of the parapsychologists' assumptions and methodologies are even more devastating than his criticisms of the experiments. He begins by noting that "telepathy is a new name for mind reading; clairvoyance for second sight; precognition for divination....the experiments, if they can be relied upon, would imply that much of what has in the past been regarded as superstition must now be included in the domain of natural science."

Any experiment purporting to show the existence of ESP at, for example, the level of ten-billion-to-one-against a chance result proves *nothing,* he argues, unless it can be shown that the odds against fraud or experimental error are more than ten-billion-to-one. If the mind possesses "psychokinetic" powers, Hansel points out, capable of causing dice to come up with the desired value, how is it that gambling establishments worldwide continue to operate this and many other games of chance, and do so at a profit?

But the most serious criticism of all is the lack of repeatability in the experiments. "After 100 years of research, not a single individual has been found who can demonstrate ESP to the satisfaction of independent investigators. For this reason alone, it is unlikely that ESP exists." If any genuine, repeatable ESP phenomenon existed, Hansel argues, the skeptics would have been silenced long ago, no matter how sporadic the phenomenon. (High-scoring subjects invariably lose their powers whenever skeptics are present, or when experimental controls are tightened.)

"Science advances through a process of natural selection," Hansel observes. "The good (experiments) survive because they are confirmed in further research. The bad ones are forgotten because they cannot be confirmed....if anyone invents a pseudoscience in which this principle ceases to operate, the result soon becomes apparent, for the new "science" fails to have predictive value and leads to more and more findings and theories that are incompatible with orthodox science. This is what has happened in parapsychology."

While Professor Hansel's ideas are carefully formed and directly stated, his writing style is often formal and academic. But no one who has completed college-level courses in the social sciences will find the book too difficult to follow. Some material from the first edition should obviously have been cut from the second: for example, in a case where experimenter fraud has recently been convincingly established, the reader should have been spared the lengthy discussions of possible sensory clues and nonrandom data.

Hansel's book will not reach as many readers as do the books of the ESP proponents, both because of his unwelcome message and his scholarly-sounding prose. Nonetheless, a serious challenge has been laid before "scientific parapsychology" (if such a thing exists). If parapsychologists continue to ignore Hansel, or to dismiss him with unspecific claims that his ideas have all been "refuted," it tends to suggest that Hansel has been right all along.

Robert Sheaffer writes frequently on popular scientific subjects. His book The UFO Verdict *will be published in 1981.*

television

Life, Liberty, Singing, and Dancing

Stan Freberg wrote it, directed it, acts in it, and even sings in it. *It* is "The Federal Budget Revue, or the Six Hundred Billion Dollar Misunderstanding," slated for television this fall. At press time its producer, Robert Chitester, who also brought us Milton Friedman's *Free to Choose*

Coming Attractions

• **Thomas Sowell:** He's the economist who appeared on two separate "Free to Choose" shows (the Milton Friedman series), there to spiritedly debunk the paternalistic assumptions of the welfare state. The same piercing analysis and verve show up in REASON's long-awaited exclusive interview.

• **Heinlein's Latest:** Science fiction writer F. Paul Wilson *(Wheels within Wheels)* reviews Robert Heinlein's latest—and some say last—novel, *The Number of the Beast.* Along the way, Wilson dips into sf history and romps through Heinlein's past books.

• **Streamlined Statism:** Tom Hazlett, student of economics and REASON's Brickbats columnist, takes on MIT economist Lester Thurow and his theories about zero-sums and society and comes up with some things that don't add up.

• **Nuclear Wastes:** The insurmountable problem with nuclear power? Petr Beckmann sorts through the issue of nuclear waste and separates the rubbish from the true stuff.

Plus: Viewpoints from Murray Rothbard and Jim Davidson, book reviews from John Hospers and Timothy Condon, and all of REASON's regular features.

series, expected a half-hour version of the show to air on PBS on October 30 and on November 1, with the full hour-long version showing later. So be sure to watch your TV listings. Almost any effort is worth the reward of seeing the production. No musical comedy like this one has ever before hit national television. It not only has good ideas; it's also good—the music, the lyrics, the sets, the animation, even the dancing, is satisfying.

You may remember Freberg's successful albums from the '60s or perhaps his advertising agency's prune commercials: "Today the pits, tomorrow the wrinkles." His skill at satire is well known. His mastery of music is not so well known and quite surprising. The songs in "Federal Budget Revue" are clever, upbeat, and reminiscent of Stephen Sondheim ("A Funny Thing Happened on the Way to the Forum") in his lighter moods. The comparison is reinforced by the presence of Millicent Martin, the acclaimed star of the play "Side by Side by Sondheim." Her singing and theatrical expertise have been augmented by the Miriam Nelson dancers and Nelson's choreography. "Federal Budget Revue" feels like Broadway, though the message is aimed at Washington. Over a million dollars' worth of professionalism may soften the immediate impact of the show's message, but it is profoundly and unswervingly radical.

The theme of the show is simple: an exposé of this year's federal budget. Freberg's consistent libertarian line is the surprise. C. Northcote Parkinson, famous for Parkinson's law—"Work expands to fill out the time allotted for its completion"—takes a hard line when he tells Freberg on the show: "Bureaucracy is itself an evil. Public servants . . . are taking upon themselves powers they were never intended to have. Instead of serving us, they are ruling us. So the first thing to do with bureaucracy is to abolish it."

Freberg's advisors included free-market economists Walter Williams and Roger Leroy Miller. According to Chitester, Freberg underwent a personal change in the course of writing the show. It may be because of the freshness of his "conversion" that the show is so vital, straightforward and, once again, radical.

The show opens with the clock in the Washington, D.C., Chamber of Commerce building that counts the money spent by the federal government. Freberg and his Gracie Allen-style sidekick are speculating on the immensity of $600 billion a year. She protests that she cannot conceive of such a figure, so they try $2 billion a day. Still too much, so they concentrate on the sweep hand making $10,000 sweeps. Together they strain to keep up. " Ten thousand, ten thousand, ten thousand," they chant as fast as they can, and in cadence, the music joins to form the theme song, "The Federal Budget."

The lyrics are priceless. "If the government hasn't the money, what on earth will the government do? Well now is the part that gets funny, they come take it from me and you. The budget you see is the budget you got. It may seem like an Alice in Wonderland plot, but the sooner you understand that it is not, the better off you'll be." I've been whistling the tune ever since I watched the advance tape.

Freberg is subtle enough to leave some thinking to the viewer, but his plea is clear if you listen. When a marching band enters to announce the federal budget and marches into a fountain, Freberg asks, "Whatever happened to halt? Huh? Remember halt? Halt? Remember that?" Freberg looks at the band and talks directly to the audience. Also, in a sketch in which a wolf portrays "planned recession," you have to be alert to hear the wolf say, "Would you mind closing the door? There's a little draft forming."

One production number, "Three Cheers for the Great Bureaucracy" seems to be aimed at Carter's foreign policy though it certainly applies to others'.

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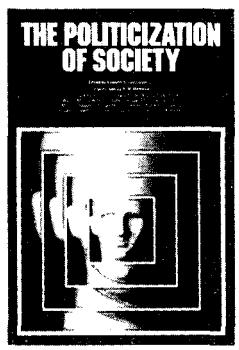

The Politicization of Society

Edited by Kenneth S. Templeton, Jr.

"The state has increasingly replaced the church in determining how we should behave," writes Oxford professor R. M. Hartwell in his introduction. "Politics is now religion." Fourteen scholars examine the central problem of modern society—the growth of the state—and its significance for the individual. They are Robert L. Carneiro, Felix Morley, Murray N. Rothbard, William Marina, Robert A. Nisbet, Jacques Ellul, Giovanni Sartori, Michael Oakeshott, Donald M. Dozer, Herbert Butterfield, John A. Lukacs, Jonathan R. T. Hughes, Butler D. Shaffer, and F. A. Hayek. Hardcover $10.00, Paperback $4.50.

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Freberg sings, "One day a hawk, next day a dove, both birds together working hand-in-glove. And when you've got that kind of an image, folks just got to love—what's known as the great bureaucracy." Dressed as clowns, bureaucrats pantomime the functions of government during the number. A dancer with telephone shoes does a tap dance, and, in case it isn't clear, a caption says, "wire-tapping."

The IRS is given no quarter. Actor David Ogden Stiers, the vitriolic Bostonian doctor on M*A*S*H, plays an IRS auditor dressed as an officer of the gestapo with dollar signs and "IRS" on his armband. He slaps his riding crop and demands answers in a heavy German accent. Is this really going to be on television? The House and Senate are assailed by Millicent Martin in a vampy torch song based on Everett Dirksen's famous comment: "A billion here, a billion there. Before you know it, you're talking about real money." And don't miss the Department of Health, Education and Welfare Tabernacle Choir doing its tribute to its own budget, which is outstripped only by the total budget of the United States and the USSR.

My favorite piece was inspired by a comment to Freberg by Walter Williams: "It's really very simple—most of the welfare money gets ripped off along the way by poverty pimps." In the routine, Jane Doe is kept from collecting her check by social workers singing in barbershop quartet style. Suddenly, their collegiate clothes are replaced by pink suits and wide-brimmed hats. While the chorus sings, "We got the system. We got the system," the poverty pimps instruct: "You got to go through me. I got to go through him. He's got to go through Leroy. He's got to go through Jim." The dancing is wonderful. The piece ends with the social workers singing a most revealing punch line.

The revue includes a Miss Federal Budget contest with a Burt Parks-like host. A commercial featuring Lee Cocamocca of Chrysler Tanks is brilliant. He hawks used tanks, on sale because of a new Chrysler tank contract. "You buy *this tank right here* and we'll give you another tank for a *penny* . . . original tread, air conditioning, power turret—it's loaded . . . and if we can ever guarantee a massive loan to you—hey, just give us a ring at Chrysler Tanks."

A critic should criticize, and I do have one complaint. Science fiction writer Ray Bradbury laughs while reading the federal budget and tells Freberg that it is some of the best science fiction he's ever read. The comment is injurious and insulting to science fiction writers and readers everywhere.

There is much more. Don't miss is. Get your friends and relatives to watch. If it is true that the best way to slay a sacred cow is to make it too ridiculous to worship, the show is a killer. It is truly radical in the American revolutionary sense. It's not *just* about waste in government; it's also about individuals and their liberties. And it's damn fine entertainment.

Patrick Cox is a free-lance writer and REASON's Spotlight columnist.

letters

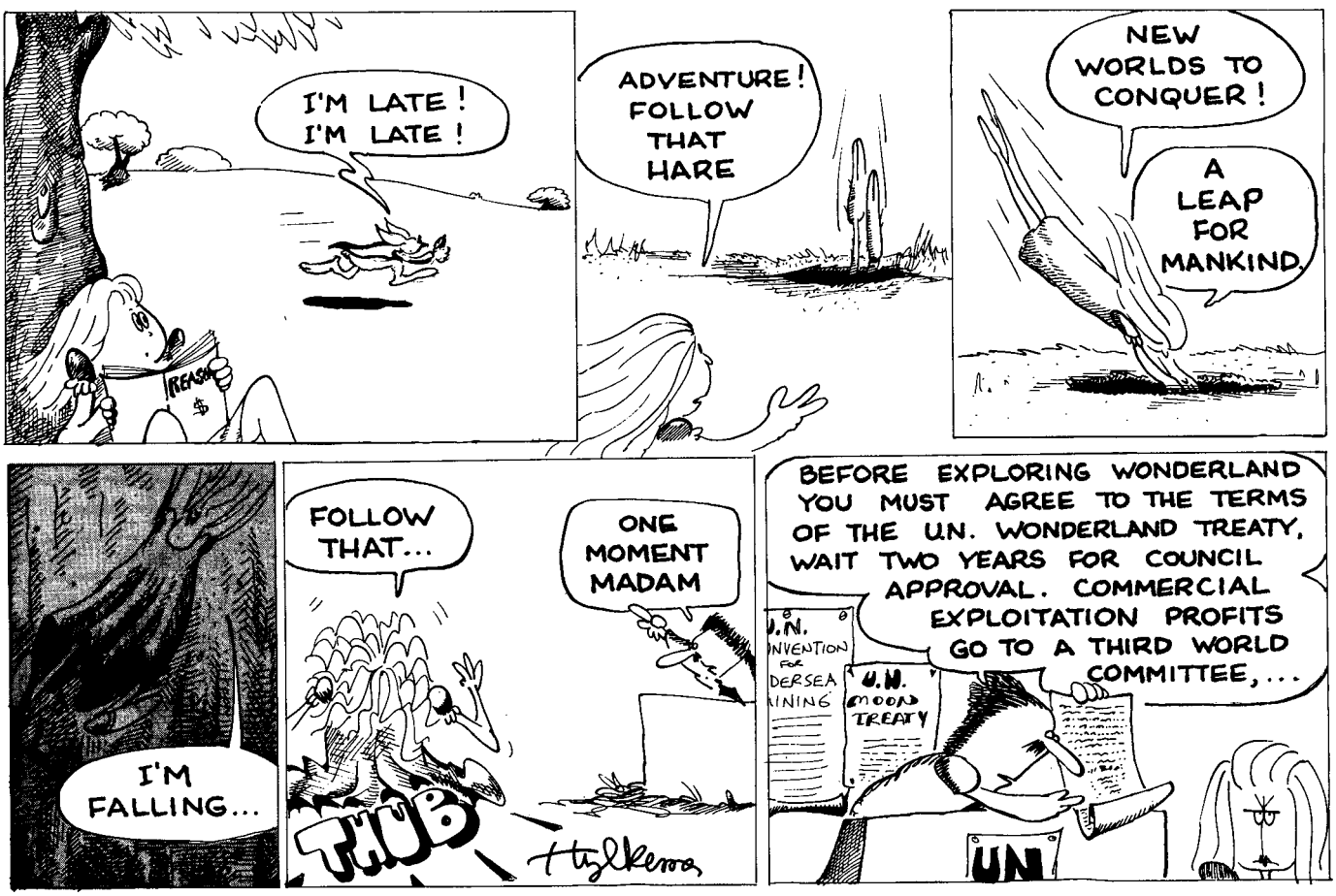
(Continued from p. 15.)

the "right" events happened... as though by magic. The resulting alternate history is so contrived as to be incredible.

This leads to the central implausibility of the story: its setting in a utopian soci-

rudebarbs

by Randall K. Hylkema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ety. In utopia (be it libertarian or otherwise), all ills are largely nonexistent. Therefore, it is left up to the villains to provide all the action of the plot, compelling the author to serve up a chase-and-rescue melodrama. There is so little suspense, and so little doubt that the forces of virtue will triumph, that one has the feeling of reading a comic strip instead of a novel.

Overall, we have a world in which libertarianism has prevailed without lifting a finger, and in which the Good Guys can always be expected to beat the Bad Guys. I submit that for libertarians to find pleasure in such a book, they would have to look upon libertarianism as a kind of kindergarten dream, divorced from real experience and bathed in a rosy glow.

It is a shame that libertarians are so ignorant of science fiction. One should compare Smith's novel with the 1953 science fiction classic, *Costigan's Needle,* by Jerry Sohl. In it, Sohl's characters, about a hundred or so, are thrust into a parallel world through a dimensional gate, naked and defenseless. Faced with the problem of survival, the adventurers undertake to reconstruct the technology and arts of civilization under the social convention of pure laissez-faire individualism. In a surprisingly rapid ascent, they manage to reconstruct everything—including another version of the interdimensional-transporter machine. In a dramatic conclusion, the entire group of individuals elect to remain where they are, rather than return to a world dominated by oppressive government and the frustration of individual creativity. Here, there are no Bad Guys, no utopia, no contrived plotting, no cardboard characters...and yet the story is far more credible and supportive of libertarian ideals than Smith's fairy tale.

Mike Dunn
Federal Way, WA

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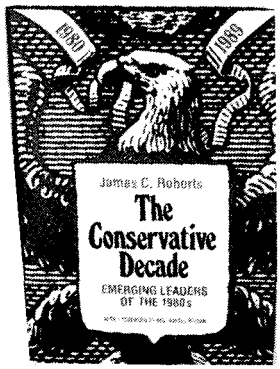

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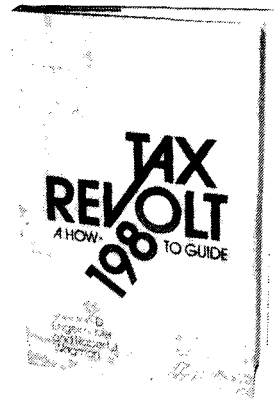

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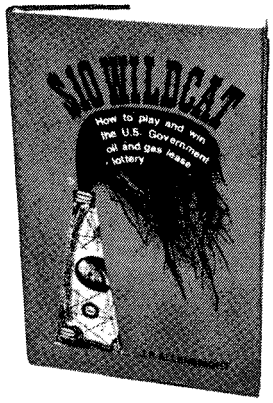

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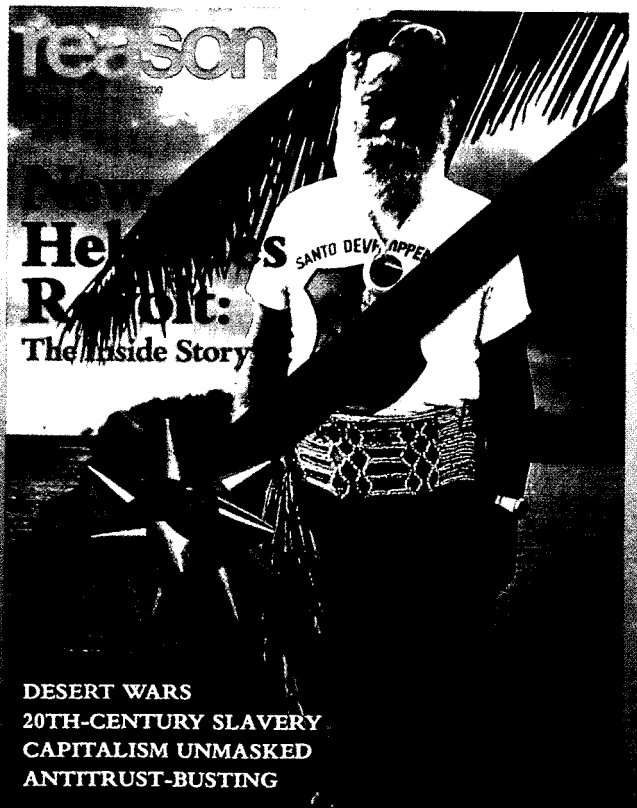

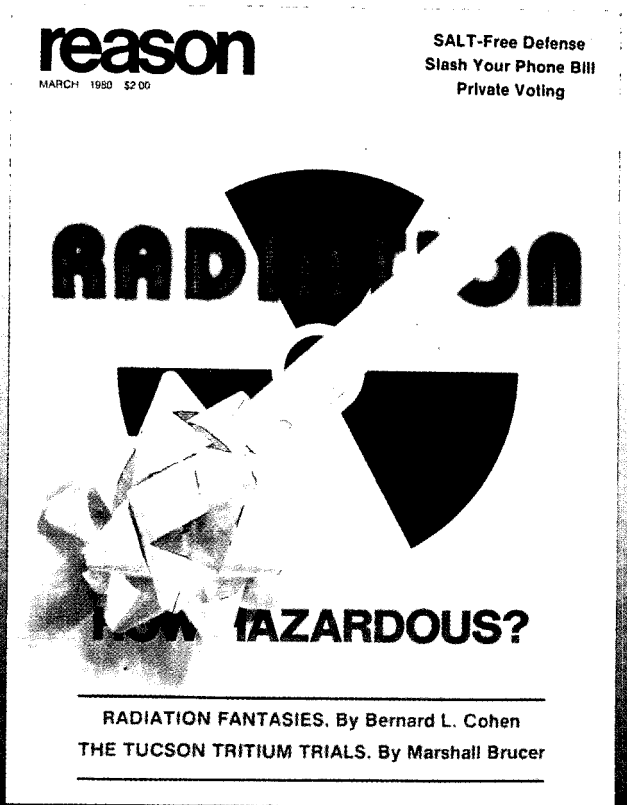

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